

MINUTES OF THE HOUSE COMMITTEE ON TAXATION..

The meeting was called to order by Chairperson Phill Kline at 9:00 a.m. on February 19, 1998 in Room 519-S of the Capitol.

All members were present except: Rep. Garner
Rep. Shore
Rep. Presta
Rep. Johnston

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:
Mark Tallman, Kansas Assn. of School Boards
Rep. Dave Gregory
Hal Hudson, NFIB
Karl Peterjohn, Kansas Taxpayers Network
Bob Corkins, KCCI
Rep. Jack Wempe
Michael Doane, Kansas Association of Wheat Growers
Ray Crumbaker, President, Kansas Assn. of Wheat Growers
Jere White, Exec. Dir., Ks. Corn Growers Assn.
Dave Govert, farmer, Kingman
LewJene Schnieder, Kansas Livestock Association
Joe Lieber, Kansas Cooperative Council
Rep. Tom Burroughs
Bill Smith, Heartland Car Wash

Others attending: See attached list

HB 2755 - Income tax credit for teaching aids and certain education expenses

Opponents:
Mark Tallman, Kansas Assn. of School Boards (Attachment 1)

Closed hearing on **HB 2755**

HB 2828 - Kansas tax overpayment rebates

Proponents:
Rep. Dave Gregory (Attachment 2)
Hal Hudson, NFIB (Attachment 3)
Karl Peterjohn, Kansas Taxpayers Network (Attachment 4)
Bob Corkins, KCCI (Attachment 5)

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 19, 1998.

HB 2291 - Personal exemption amounts

Proponents:

Rep. Jack Wempe

Rep. Wempe noted his testimony would be the same as when the bill was introduced in the 1997 Session and hearing was held on February 18, 1997. This bill provides that in the event of an unexpected financial windfall, one half of the windfall will be returned to taxpayers in the form of a supplementary personal exemption.

HB 2481 - Income tax credit for investment in certain agricultural cooperatives

Proponents:

Michael Doane, Kansas Association of Wheat Growers (Attachment 6)

Ray Crumbaker, President, Kansas Assn. of Wheat Growers (Attachment 7)

Dave Govert, farmer, Kingman (Attachment 8)

Jere White, Exec. Dir., Ks. Corn Growers Assn. (Attachment 9)

LewJene Schnieder, Kansas Livestock Association (Attachment 10)

Joe Lieber, Kansas Cooperative Council (Attachment 11)

Copy of fiscal note supplied by Shirley Sicilian (Attachment 12)

Closed hearing on **HB 2481**

HB 2287 - Sales tax exemption for coin-operated car washes

Proponents:

Rep. Tom Burroughs

Rep. Burroughs is one of the authors of this bill. My purpose is to communicate the need to exempt the car wash industry from the state sales tax. There are basically 174 owners of small car washes with fiscal impact around \$143,000. Since the conception of this industry in the 60s car washes are at an unfair advantage in having to pay the state sales tax and the inability to collect it from the consumer.

Bill Smith, Heartland Car Wash (Attachment 13)

Closed hearing on **HB 2287**.

Chair opened for introduction of bills.

Moved by Representative Krehbiel, seconded by Representative Shriver, the committee introduce a bill relating to a workmen's compensation issue regarding death benefits provided thereunder. Motion carried.

The next meeting is scheduled for February 24, 1998.

Adjournment.

Attachments - 13

TAXATION COMMITTEE GUEST LIST

DATE: FEBRUARY 19, 1998

NAME	REPRESENTING
Danny Giefer	Heartland Carwash Assn
ROBERT BLASI	WEST WASH STATE " " "
Bob Burtalli	Burtalli Carwash
MAX STEWART, JR	THRIF - T CARWASH
Max R. Stewart	" " "
Mark Tallman	KASB
Bob Corkins	KCCI
Mary Kay Culp	Ks. Catholic Conference ← (also here 2/17+2/18)
Karl Peterophu	Ks Taxpayers Network
Greg Peltus	Ks taxpayers network
(Bob) Smith	Heartland Carwash Assoc.
Bob Berweck	" " "
Tom Tronzo	Ks Gov Consulting
Bob K. Siff	B.B.D. Systems, Inc. (Car Wash Op.)
Don Huntz	B.B.D. Systems, Inc. Car Wash Op.
BOB BESCH	OLYMPIC CAR WASH
Bob Zi Scifers	B.B.D. Systems Inc. Car Wash Pitt, Ks
Dave Hillman	Western Resources
Lenora Cornwell	River City Car Wash

DON LINDSEY

UTU

TAXATION COMMITTEE GUEST LIST

DATE: **FEBRUARY 19** , **1998**

NAME	REPRESENTING
Darrin Hiebert	KS Assn Wheat Growers
Ray Crumbaker	KAWG
Kelley Kuitala	City of Overland Park
Larry & Phyllis Vayt	Heartland Car Wash Assn
Peggy Johnson	Helton CAPUSG
Jere White	KS Corn Growers Assn.
Jul Lubin	KS Co-op Council
Sue Schulte	KS Corn & Grain Seed Committee
Hal Hudson	NFIB/KS
Gene Johnson	Platoon Car Wash
Dave Walker	XCEL Car Washes
JOHN WALKER	XCEL CAR WASHES
Phil Stultz	City of Wamego
Ken Furggala	Ken's Car Wash - Ottawa
Doug Wasson	Baldwin Car Wash
Elvin Keedy	Wichita KS
Keith Haverkamp	Rich's Car Wash / Seneca
Ed Stutz	Swift Car Wash
Grace Stutz	Swift CAR WASH

TAXATION COMMITTEE GUEST LIST

DATE: 19/FEB 198

NAME	REPRESENTING
Raycen work	Columbia 1/2 Ben
Guy + Rhonda Slagle	Slagle's Car Wash ^{car work}
Gary MAUREY	Pressure wash
Bob DICKER	S.W. CAR WASH
David + Roseth Henry	Car wash Lawrence
Steve Kreszard	Ray's car wash
Nancy Gray	Olympic Car Wash
Roger Henry	Raco Car Wash - Lawrence
Don GRAY	OLYMPIC CAR WASH
Frank Bensch	Olympic Car Wash
Jack Laule	GRAY-HENRY CORP.
Rebbie Hauber	Gray Henry Corp.
Cody MUMFERT	C & J CAR WASH
Brian Alberson	B.D.A. Enterprises / Carwash

TAXATION COMMITTEE GUEST LIST

DATE: FEBRUARY 19, 1998

NAME	REPRESENTING
Rodger + Sheryl Henry	Carwash
Lyle Henry + Zac Elmore	Carwash
Georgi Sargo	Car wash
Cory Lawson	Coastline Car Wash Co.
Paul Warner	CARWASH

KANSAS
ASSOCIATION



OF
SCHOOL
BOARDS

1420 S.W. Arrowhead Rd, Topeka, Kansas 66604
913-273-3600

TO: House Committee on Taxation
FROM: Mark Tallman, Director of Governmental Relations
DATE: February 17, 1998

RE: Testimony on H.B. 2755 - Tax credits for education expenses

Mr. Chairman, Members of the Committee:

I am Mark Tallman, Director of Governmental Relations for the Kansas Association of School Boards. We appear today as opponents of H.B. 2755, primarily because of the provisions of section 2. Our association's Delegate Assembly has adopted the following position:

KASB opposes legislation that would use tuition tax credits, voucher systems or choice plans to aid private elementary or secondary schools. However, KASB supports voluntary efforts to experiment with public school choice plans.

Our basis for this belief is the fact that public schools are required to serve all students residing in their district and must adhere to all public school laws. Because they must serve all students, it is appropriate that every citizen must support them financially. But every citizen also has the right to participate in the governance of public schools through the democratic process: local school boards, the State Board of Education, the State Legislature, etc.

Private schools, on the other hand, are by design independent from the public political process. They can and do teach what they want, including specific religious instruction. They can and do set their own standards for admitting students and expelling students. Public funding, whether direct or indirect, compels all citizens to support schools that their own children may not be able to attend, and to support religious and other instruction that is determined without their representation.

We further believe it is wrong to set a precedent for public funding of private schools that are not required to follow the same rules and regulations as public schools. Over many years, the Legislature and Congress have dramatically expanded both the limits and mandates on public schools. If these regulations are deemed necessary for schools governed by elected local school board members, they should certainly apply to schools which are governed privately if such schools seek public support.

Finally, we oppose a tax measure which increases support for private schools (and thereby decreases state revenues) when many important needs of public schools are not being met by this Legislature. These needs include issues of safety, technology and school readiness. Public schools remain the only real choice for many students, even if this bill were to pass.

Thank you for your consideration.

House Taxation
2-19-98
Attachment 1-1

DAVE GREGORY
 REPRESENTATIVE, NINETY-FOURTH DISTRICT
 632 N. VALLEYVIEW
 WICHITA, KANSAS 67212
 (316) 773-2405
 OFFICE:
 STATE CAPITOL, 156-E
 TOPEKA, KANSAS 66612-1504
 (913) 296-7659



TOPEKA

HOUSE OF
 REPRESENTATIVES
House Bill 2828

COMMITTEE ASSIGNMENTS
 FINANCIAL INSTITUTIONS
 INSURANCE
 TAXATION

To: Member of the House Taxation Committee
From: Representative Dave Gregory
Subject: Kansas Taxpayer Overpayment Rebate Act (HB2828)

We in the legislature are a lot like my teenage boys.
 When I ask my teenage boys to run to the convenience store and buy a newspaper.

I never see any change.

When I ask my teenage boys to go to the Grocery store and buy some hot dog buns and bag of ice with a ten dollar bill.

I never see any change.

When I send my boys to fill up my gas tank with a twenty dollar bill,

I never see any change.

The legislature is a lot like my teenage boys. When our constituents send us out to run the Government with their money.

They never see any change.

While it is true I may never be able to change my boys to automatically return my change, I believe we should return the taxpayers their tax overpayments. Why do I call them tax overpayments - because we in the Government didn't expect to receive these funds. If we would have known the economy was going to be this good we could have reduced tax rates even more.

We shouldn't look at these funds as a one time windfall for *growing and expanding* Government programs faster than the rate of inflation, as some may offer. These money's are not ours, **they are the taxpayers**. While some may consider these funds the Government's discretionary tax dollars - they are not - they are the taxpayer's discretionary funds. And I'll bet your neighbors and friends will use the money on things that are more important to them, than things we might choose to appropriate. However, if your constituents believe that Government does know better than they *do*, those constituents can certainly choose to not cash their check which will then be deposited back in the general fund and we in the legislature can spend it as we choose or return it as we designate.

 House Taxation
 2-19-98
 Attachment 2-1

Why should we give taxpayers back excesses based upon Income Tax dollars?
At the state level we do not know how much people pay in **sales tax**.
At the state level we do not know how much each taxpayer pays in **property tax**.
However, at the state level we do know how much each taxpayer pays in **income tax**.

Income taxes have also proven to be the most significant single variable in budget estimate variance. Income taxes would seem to be the fairest way to return these overpayment dollars back to the people who have paid the taxes. The more you pay in - the larger the amount of your check.

Here is the trigger mechanism: When ever we have a ***budget surplus in excess of \$50 million***, based upon year ending numbers and Consensus Group Forecasts, we in the state will proportionally divide all surplus funds in excess of \$25 million dollars and automatically return them to the taxpayers. In addition to this disbursement we will additionally add funds to all checks, to insure even the poorest taxpayer receives a check in the amount of \$5.

The tax rebate checks have a life of 180 days. If the checks are not cashed by the expiration date they are returned to the State General Fund.

Lets talk about the Division of Budget, The Revenue Department, and the Consensus Estimating Group for a while. I believe for the most part they are doing their job to the best of their abilities. We in the legislature roll into town for a couple of months and ask them to forecast fiscal notes for scenarios that even makes the bill signers question their own intent. However, if I as a forecaster was uncertain how something was going to ultimately work and I was asked to give my best estimate I would error on the conservative side. With all the bills and economic unknowns it's amazing they get as close as we do. The estimators conservative leanings can tend to generate a budget which tends to be a surplus. In fact over the last six years we have had an accumulated budget surplus of \$550.6 million dollars according legislative research. In Fiscal Year 1995 our only shortfall was only \$52.4 million. However, in each of the other five years under House Bill 2828 **we would have written the taxpayers checks totalled nearly half a billion dollars.**

The taxpayers would have received a check during five our of the last six years. The checks for the last five years would have totalled nearly one half of a billion dollars. During this last year our budget forecasts were off by \$258.8 million according to the Division of Budget and Taxpayers would have received checks totalling about \$240 Million.

I asked the Division of Budget do a run on how much the checks would be for various taxpayers.

This bill gives the money back to the people and businesses who paid the taxes. The more they paid the more they will receive in the form of a check.

It is irresponsible to believe just because a budget forecast was estimated low we should feel obligated to grow government or figure out a new way to redistribute wealth.

If you believe in fairly returning the money to people who overpaid the taxes, then I hope you'll be more responsible than my teenage boys. I hope you'll vote in favor of automatically returning the taxpayers more of their overpayments by lending your support to this bill.

(millions)

	Actual Amnt over Final April Adjusted SGF Est		Increase in the Next Year's SGF Receipts in November	"Windfall" Total these 2 Numbers	"Windfall" over \$50 M?	HB 2823 would have mandated return of
FY 97	\$41.4	FY 98	\$217.3	\$258.7	yes	\$233.7
FY 96	\$39.0	FY 97	\$100.4	\$139.4	yes	\$114.4
FY 95	(\$25.1)	FY 96	(\$27.3)	(\$52.4)	no	---
FY 94	\$48.9	FY 95	\$37.4	\$86.3	yes	\$61.3
FY 93	\$2.4	FY 94	\$50.3	\$52.7	yes	\$27.7
FY 92	\$11.3	FY 93	\$54.6	\$65.9	yes	\$40.9



DIVISION OF THE BUDGET
Room 152-E
State Capitol Building
Topeka, Kansas 66612-1575
(785) 296-2436
FAX (785) 296-0231

Bill Graves
Governor

Gloria M. Timmer
Director

February 18, 1998

The Honorable Phill Kline, Chairperson
House Committee on Taxation
Statehouse, Room 170-W
Topeka, Kansas 66612

Dear Representative Kline:

SUBJECT: Fiscal Note for HB 2828 by Representatives Gregory, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2828 is respectfully submitted to your committee.

HB 2828 would create provisions to allow for rebates of State General Fund revenues to income taxpayers. The bill would calculate two State General Fund amounts:

1. The difference between actual State General Fund receipts over the current year estimate of receipts to occur on or before April 4.
2. The difference between the December 4 estimate for State General Fund revenues in the following fiscal year compared to the preceding April 4 estimate for the same period.

The bill would provide that if the sum of the two amounts defined above exceed the preceding estimates by \$50.0 million, then all amounts in excess of \$25.0 million would be refunded to each income taxpayer. The amount of the rebate would be in equal proportion to the taxpayer's paid liability of the preceding tax year in proportion to that tax year's total income tax liability, except that no person paying taxes would receive less than a \$5 rebate.

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Page 5

HB 2828 would also direct the Secretary of Revenue, before December 15 of each year, to certify to the Director of Accounts and Reports the name and last known address of the income taxpayer, the amount of the rebate, and any other information required by the Director. The Director of Accounts and Reports would issue the rebates to the taxpayer. The warrants would become invalid 180 days after issuance. The rebates would be exempt from the state income tax.



The Department of Revenue estimates that passage of this bill would not impact State General Fund revenues. The Department of Revenue estimates that it would cost about \$10,850 in FY 1999 for programming changes to implement the bill.

The Division of the Budget cannot estimate the amount of future rebates, because the rebate would be based on actual changes from estimated revenues which are influenced by numerous variables. If the law had been in effect during FY 1997, \$114.5 million would have been available for rebates to taxpayers. For FY 1998, the rebate amount available would have been \$233.8 million. However, in FY 1996 no rebate would have been available, because receipts were lower than the estimate. The Division of the Budget notes that for FY 1997 income tax receipts, 85.3 percent of income taxes collected came from individual income taxes and the remaining 14.7 percent came from corporate income taxes.

Using amounts and percentages based on actual tax year 1996 individual income tax return data, the following table estimates how FY 1998 a total of \$199.4 million in rebates would have been distributed. Most of the 149,777 returns reflecting adjusted gross incomes below \$5,000 would have received the minimum rebate of \$5. The table's estimate of the average rebate reflects the approximate number of \$5 rebates issued and then spreads the remainder of the rebate in proportion with the tax liability. Those returns having no tax liability are not included in the table below, because they would not receive a check.

Adjusted Gross Income	No. of Returns	Percent of Total Returns	Percent of Total Tax Liability	Average Rebate
\$0.01 - \$10,000	285,057	23.19%	1.0%	\$ 8.15
\$10,000 - \$40,000	552,041	47.47%	19.7%	\$ 71.04
\$40,000 - \$75,000	278,362	23.7%	30.4%	\$ 217.86
\$75,000-\$200,000	100,387	9.3%	27.4%	\$ 495.06
\$200,000-\$5.0 million	18,269	1.5%	21.6%	\$ 2,355.22
Over \$5.0 million	337	0.03%	1.8%	\$ 10,743.37

Based on Tax Year 1996 individual income tax return data.

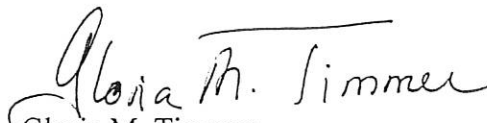
The Honorable Phill Kline, Chairperson

February 18, 1998

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The Division of the Budget estimates that both the Division of Accounts and Reports and the Department of Revenue would require additional expenditures to implement the provisions of the bill. The Department of Revenue estimates that \$10,850 in programming changes would be necessary to implement the bill. However, the Division of Accounts and Reports has previously provided a rough estimate of \$.45 per check as the cost to process rebate checks. Using the rough estimate, the cost to the Accounts and Reports to issue approximately 1.25 million checks to individual income taxpayers would be \$562,500. This amount does not include the number of checks required to issue rebates to eligible corporations and companies paying income tax. Again, variables such as timing of the check issuance, address verification and other issues would impact the cost. Any fiscal effect resulting from the passage of this bill would be in addition to amounts included in *The FY 1999 Governor's Budget Report*.

Sincerely,

A handwritten signature in cursive script that reads "Gloria M. Timmer". The signature is written in black ink and is positioned above the printed name and title.

Gloria M. Timmer

Director of the Budget

cc: Lynn Robinson, Department of Revenue

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Year 1996 Kansas Income Tax Returns & Rebate Percentages
 Example of FY 1998 Rebate

Rebate Amount \$199,431,400
 Minimum Rebate \$5.00
 State Rebate \$233,800,000

Class	More Than	But No More Than	No. of Returns	Taxable Liability (in millions)	Average Liability	Percent of Liability	Percent of Returns w/ Liability	Tax Liability By Class	Percent of Returns by Class	Avg. Rebate Amount	Avg. Rebate Per Class	Make-up Amount	Make-up Cost
A	\$0	\$0	15,136	\$0	\$0.00	0.0%	--	--	--	--	--	--	--
	0	2,000	53,992	387,565	7.18	0.0%	4.3%	0.95%	23.19%	\$0.97	\$6.65	\$4.03	\$217,362.58
	2,000	3,000	32,801	303,303	9.25	0.0%	2.7%			1.25		3.75	122,843.00
	3,000	4,000	32,326	632,434	19.56	0.0%	2.6%			2.66		2.34	75,800.96
	4,000	5,000	30,658	1,022,137	33.34	0.1%	2.5%			4.52		0.48	14,573.34
	5,000	6,000	28,933	1,365,768	47.20	0.1%	2.4%			6.39		0.00	0.00
	6,000	7,000	28,309	1,892,897	66.87	0.1%	2.3%			9.05		0.00	0.00
7,000	10,000	78,038	8,356,759	107.09	0.6%	6.3%			14.50		0.00	0.00	
B	10,000	14,000	99,029	17,665,398	178.39	1.2%	8.4%	19.66%	47.47%	24.16	71.04	0.00	0.00
	14,000	20,000	134,771	44,051,755	326.86	3.0%	11.6%			44.26			
	20,000	25,000	98,496	48,880,469	496.27	3.3%	8.8%			67.20			
	25,000	30,000	82,662	55,143,415	667.10	3.8%	7.1%			90.34			
	30,000	35,000	72,014	59,364,692	824.35	4.0%	6.1%			111.63			
35,000	40,000	65,069	63,854,793	981.34	4.3%	5.5%			132.89				
C	40,000	50,000	109,643	133,515,799	1,217.73	9.1%	9.2%	30.41%	23.70%	164.90	217.86		
	50,000	60,000	85,055	137,012,711	1,610.87	9.3%	7.4%			218.14			
	60,000	75,000	83,664	176,338,140	2,107.69	12.0%	7.1%			285.42			
D	75,000	100,000	63,957	184,572,374	2,885.88	12.6%	5.4%	27.40%	9.32%	390.80	495.06		
	100,000	200,000	46,430	218,106,060	4,697.52	14.8%	3.9%			636.14			
E	200,000	300,000	8,214	72,545,746	8,831.96	4.9%	0.7%	21.58%	1.51%	1,196.02	2,355.22		
	300,000	500,000	5,122	68,386,908	13,351.60	4.7%	0.4%			1,808.07			
	500,000	750,000	1,973	37,980,702	19,250.23	2.6%	0.2%			2,606.85			
	750,000	1,000,000	849	20,056,712	23,623.92	1.4%	0.1%			3,199.14			
	1,000,000	2,500,000	1,560	59,658,654	38,242.73	4.1%	0.1%			5,178.80			
	2,500,000	5,000,000	551	31,742,542	57,608.97	2.2%	0.0%			7,801.37			
F	5,000,000	10,000,000	297	21,116,381	71,098.93	1.4%	0.0%	1.82%	0.03%	9,628.17	10,743.37		
	10,000,000		40	5,561,482	139,037.05	0.4%	0.0%			18,828.30			
TOTAL			1,259,589	\$1,469,515,598	\$1,166.66	100.0%	100.0%			\$160.26			\$430,580

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Year 1996 Kansas Income Tax Returns & Rebate Percentages
 Sample of FY 1997 Rebate

Rebate Amount \$97,668,500
 Minimum Rebate \$5.00
 State Rebate \$114,500,000

Class	Income Tax Returns		Average Liability	Percent of Liability	Percent of Returns w/ Liability	Tax Liability By Class	Percent of Returns by Class	Avg. Rebate Amount	Avg. Rebate Per Class	Make-up Amount	Make-up Cost		
	More Than	But No More Than										No. of Returns	Taxable Liability (in millions)
A	\$0	\$0	15,136	\$0	\$0.00	0.0%	--	--	--	--	--		
	0	2,000	53,992	387,565	7.18	0.0%	4.3%	0.95%	23.19%	\$0.48	\$3.26	\$4.52	\$244,201.21
	2,000	3,000	32,801	303,303	9.25	0.0%	2.7%			0.61	4.39	143,846.54	
	3,000	4,000	32,326	632,434	19.56	0.0%	2.6%			1.30	3.70	119,596.53	
	4,000	5,000	30,658	1,022,137	33.34	0.1%	2.5%			2.22	2.78	85,355.62	
	5,000	6,000	28,933	1,365,768	47.20	0.1%	2.4%			3.14	1.86	53,891.87	
	6,000	7,000	28,309	1,892,897	66.87	0.1%	2.3%			4.44	0.56	15,737.28	
	7,000	10,000	78,038	8,356,759	107.09	0.6%	6.3%			7.07	0.00	0.00	
B	10,000	14,000	99,029	17,665,398	178.39	1.2%	8.4%	19.66%	47.47%	11.78	34.79	0.00	0.00
	14,000	20,000	134,771	44,051,755	326.86	3.0%	11.6%			21.58			
	20,000	25,000	98,496	48,880,469	496.27	3.3%	8.8%			32.76			
	25,000	30,000	82,662	55,143,415	667.10	3.8%	7.1%			44.04			
	30,000	35,000	72,014	59,364,692	824.35	4.0%	6.1%			54.42			
	35,000	40,000	65,069	63,854,793	981.34	4.3%	5.5%			64.78			
C	40,000	50,000	109,643	133,515,799	1,217.73	9.1%	9.2%	30.41%	23.70%	80.39	106.70		
	50,000	60,000	85,055	137,012,711	1,610.87	9.3%	7.4%			106.34			
	60,000	75,000	83,664	176,338,140	2,107.69	12.0%	7.1%			139.13			
D	75,000	100,000	63,957	184,572,374	2,885.88	12.6%	5.4%	27.40%	9.32%	190.50	242.45		
	100,000	200,000	46,430	218,106,060	4,697.52	14.8%	3.9%			310.09			
E	200,000	300,000	8,214	72,545,746	8,831.96	4.9%	0.7%	21.58%	1.51%	583.02	1,153.43		
	300,000	500,000	5,122	68,386,908	13,351.60	4.7%	0.4%			881.37			
	500,000	750,000	1,973	37,980,702	19,250.23	2.6%	0.2%			1,270.75			
	750,000	1,000,000	849	20,056,712	23,623.92	1.4%	0.1%			1,559.47			
	1,000,000	2,500,000	1,560	59,658,654	38,242.73	4.1%	0.1%			2,524.48			
	2,500,000	5,000,000	551	31,742,542	57,608.97	2.2%	0.0%			3,802.89			
F	5,000,000	10,000,000	297	21,116,381	71,098.93	1.4%	0.0%	1.82%	0.03%	4,693.39	5,261.40		
	10,000,000		40	5,561,482	139,037.05	0.4%	0.0%			9,178.13			
TOTAL			1,259,589	\$1,469,515,598	\$1,166.66	100.0%	100.0%			\$78.48			\$662,629

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2-10

Year 1996 Kansas Income Tax Returns & Rebate Percentages
 Sample of \$25,000,000 Rebate

Rebate Amount Minimum Rebate \$21,325,000 \$5.00
 State Rebate \$25,000,000

Class	Income Tax Returns		Average Liability	Percent of Liability	Percent of Returns w/ Liability	Tax Liability By Class	Percent of Returns by Class	Avg. Rebate Amount	Avg. Rebate Per Class	Make-up Amount	Make-up Cost		
	More Than	But No More Than										No. of Returns	Taxable Liability (in millions)
A	\$0	\$0	15,136	\$0	\$0.00	0.0%	--	--	--	--	--		
	0	2,000	53,992	387,565	7.18	0.0%	4.3%	0.95%	23.19%	\$0.10	\$0.71	\$4.90	\$264,395.15
	2,000	3,000	32,801	303,303	9.25	0.0%	2.7%			0.13		4.87	159,603.59
	3,000	4,000	32,326	632,434	19.56	0.0%	2.6%			0.28		4.72	152,452.39
	4,000	5,000	30,658	1,022,137	33.34	0.1%	2.5%			0.48		4.52	138,457.17
	5,000	6,000	28,933	1,365,768	47.20	0.1%	2.4%			0.69		4.31	124,845.54
	6,000	7,000	28,309	1,892,897	66.87	0.1%	2.3%			0.97		4.03	114,076.07
	7,000	10,000	78,038	8,356,759	107.09	0.6%	6.3%			1.55		3.45	268,920.19
B	10,000	14,000	99,029	17,665,398	178.39	1.2%	8.4%	19.66%	47.47%	2.59	7.60	2.41	238,792.07
	14,000	20,000	134,771	44,051,755	326.86	3.0%	11.6%			4.74		0.26	34,594.23
	20,000	25,000	98,496	48,880,469	496.27	3.3%	8.8%			6.69		0.00	0.00
	25,000	30,000	82,662	55,143,415	667.10	3.8%	7.1%			9.00			
	30,000	35,000	72,014	59,364,692	824.35	4.0%	6.1%			11.12			
	35,000	40,000	65,069	63,854,793	981.34	4.3%	5.5%			13.24			
C	40,000	50,000	109,643	133,515,799	1,217.73	9.1%	9.2%	30.41%	23.70%	16.43	23.30		
	50,000	60,000	85,055	137,012,711	1,610.87	9.3%	7.4%			21.74			
	60,000	75,000	83,664	176,338,140	2,107.59	12.0%	7.1%			28.44			
D	75,000	100,000	63,957	184,572,374	2,885.88	12.6%	5.4%	27.40%	9.32%	38.94	52.94		
	100,000	200,000	46,430	218,106,060	4,697.52	14.8%	3.9%			63.39			
E	200,000	300,000	8,214	72,545,746	8,831.96	4.9%	0.7%	21.58%	1.51%	119.17	251.84		
	300,000	500,000	5,122	68,386,908	13,351.60	4.7%	0.4%			180.16			
	500,000	750,000	1,973	37,980,702	19,250.23	2.6%	0.2%			259.75			
	750,000	1,000,000	849	20,056,712	23,623.92	1.4%	0.1%			318.77			
	1,000,000	2,500,000	1,560	59,658,654	38,242.73	4.1%	0.1%			516.03			
	2,500,000	5,000,000	551	31,742,542	57,608.97	2.2%	0.0%			777.34			
F	5,000,000	10,000,000	297	21,116,381	71,098.93	1.4%	0.0%	1.82%	0.03%	959.37	1,148.78		
	10,000,000		40	5,561,482	139,037.05	0.4%	0.0%			1,876.09			
TOTAL			1,259,589	\$1,469,515,598	\$1,166.66	100.0%	100.0%			\$17.14			\$1,496,136

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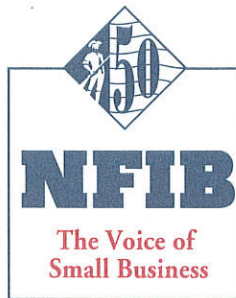
Distribution Examples of HB2828

Income Range	1998 Average Rebate Amount	1996 Average Rebate Amount	Low Average Rebate Amount
\$ 14,000 - \$ 20,000	\$ 44.26	\$ 21.58	\$ 5.00
\$ 25,000 - \$ 30,000	\$ 90.34	\$ 44.04	\$ 9.00
\$ 40,000 - \$ 50,000	\$164.90	\$ 80.39	\$16.43
\$ 60,000 - \$ 75,000	\$285.42	\$139.13	\$28.44
\$100,000 - \$200,000	\$636.14	\$310.09	\$63.39

*Please Note: All Numbers Are From The Division Of Budget And All Should Be Higher

LEGISLATIVE TESTIMONY

NFIB Kansas



Purpose: To influence public policy
at the State and Federal level for
the benefit of Small and Independent
Business in America.

**Testimony of Hal Hudson, State Director
Kansas Chapter,
National Federation Of Independent Business
Before the
Kansas House Taxation Committee
on House Bill 2828
February 19, 1998**

Mr. Chairman and members of the Committee: Thank you for this opportunity to appear here today. My name is Hal Hudson, and I am here today representing the more than 7,000 small business owners of Kansas who are members of the National Federation of Independent Business.

Taxes, the payment of, the hopes of reduction, reform, and relief, from taxes deemed to be too high, was a message that came through loud and clear on the 1998 NFIB/Kansas State Ballot. Our members said, in particular, that property taxes and income taxes were too high, and something needed to be done. When SB 500 finally is enacted, we should be able to tell our members that the 1998 Kansas Legislature heard them and acted. Thank each and every one of you for the part you played in bringing tax relief to small business through SB 500.

There is more that can be done -- not to reduce too high taxes after the fact, but to help maintain the proper balance between the needs of state government and tax collections.

It is a novel idea; one I'd never have thought to ask our members on a ballot, but I doubt any small business owner would object to the concept in HB 2828.

The problem HB 2828 attempts to address is one that has been simmering on the back burner for several years. Stated simply, revenue projections provided near the close of the legislative session have been too low. The enormous windfall of excess tax collections in the current fiscal year simply have brought this issue to the fore front.

HB 2828 is an attempt to prevent future swollen coffers in the state treasury. When tax collections exceed estimates enormously, automatic refunds would be triggered -- instead of waiting for the next legislative session to grant tax relief two years after the fact.

HB 2828, on the surface, sound like a good idea. There's only one way to find out how good an idea it is. That's to enact it. Try it. You might like it.

Thank you.

NFIB-Kansas Membership Profile: NFIB-Kansas represents the entire spectrum of independent business, from one-person home-based operations to enterprises employing more than 100 people. The typical NFIB-Kansas member is quite small, employing six workers and ringing up gross sales of about \$340,000 per year. Yet, in aggregate the membership is a potent economic force, employing more than 110,000 and with gross sales of over \$8 billion annually.

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KANSAS TAXPAYERS NETWORK

P.O. Box 20050
Wichita, KS 67208
19 February 1998

316-684-0082
FAX 316-684-7527

Testimony in support of H.B. 2828

By Karl Peterjohn, Executive Director

In my first job out of graduate school I entered the California Department of Finance as a budget analyst. My assignments involved estimating a variety of revenue and expenditure projections for that state's budget office. Specifically, I estimated state tax revenues from the cigarette, alcohol, corporate income tax, and personal income taxes. I was also involved in an agricultural lands' property tax provision which the state pays to local units under California law at that time. This started in 1973 and lasted until early 1975. So I do have some first hand knowledge and experience, albeit over 20 years old, estimating state tax revenues.

Revenue estimates are a key component in the process of government budgeting. This is as true in Kansas today as it was in California 25 years ago. If the estimates are unrealistic or inaccurate this can create a large problem for elected officials. H.B. 2828 would provide a positive incentive which prevents the revenue estimators from underestimating tax revenue growth. All budget officers must provide a careful balance between the extremes of too high and too low in estimating revenues.

In the last two years the revenue estimates have been understated which has been out of line with the actual numbers. H.B. 2828 would provide that these "windfalls" be automatically returned to taxpayers if they exceed \$25 million. This will require precision budget estimating since the \$25 million figure is slightly more than 1/2 of 1 percent of current state general fund revenues. Enclosing a specific figure in this statute may cause problems if state revenues grow. Instead of using a fixed figure, establish the amount as a percentage of the overall general fund budget. In this case, \$25 million is roughly 0.65% of Governor Graves projected Fiscal Year 1999 spending.

If H.B. 2828 had been enacted during the last two years there would have been a large amount of tax revenues which would have automatically been returned to Kansas taxpayers in the last two fiscal years. I believe this would have been the case in a majority of the budgets during the last 10 years. This self correcting feature would limit state tax windfalls and KTN urges this committee to support H.B. 2828.

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LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry



835 SW Topeka Blvd. Topeka, KS 66612-1671 (785) 357-6321 FAX (785) 357-4732 e-mail: kcci@kspress.com

HB 2828

February 19, 1998

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the
House Taxation Committee

by

Bob Corkins
Director of Taxation

Honorable Chair and members of the Committee:

My name is Bob Corkins, director of taxation for the Kansas Chamber of Commerce and Industry, and I appreciate the chance to express our members' support for HB 2828 and its move toward greater state accountability to taxpayers.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 47% of KCCI's members having less than 25 employees, and 77% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

Initially, I'll note KCCI's observation that this proposal would not restrict state spending.

Assuming a revenue "windfall" occurs which triggers the tax rebate, it may preclude some

supplemental appropriations. However, new or existing spending programs would not be threatened

the extent they are fully budgeted according to formal revenue estimates that are made each year. Instead, this proposal addresses only revenue windfalls that are received over and above the April estimates that drive the current year's decisions about the subsequent fiscal year's spending.

We applaud this bill's implicit distinction between tax relief and tax reform. Its distribution method for any windfall rebate gives relief to taxpayers in direct proportion to their individual tax liability. It is not tax "reform" because it would not rearrange the liabilities of classes of income taxpayers relative to one another (as distinguished from HB 2291). True, there may be a case where an exceptionally large inheritance tax payment is solely responsible for triggering a rebate to all income tax filers. However, HB 2828 would still be the most policy-neutral way yet proposed for dealing with this kind of scenario. The bill is a welcome concept in an environment where Kansas businesses have felt frustration in seeking their fair share of tax relief.

As I mentioned above, HB 2828 also presents a good means for improving fiscal accountability. It should encourage more accurate revenue estimates. It should also encourage disclosure of a bigger picture of state spending as it inhibits supplemental appropriations. There may never be another year when the \$50 million windfall trigger is reached, but these other potentially positive influences nevertheless justify serious consideration of the proposal.

Thank you for your time and consideration.



P.O. Box 1266 • Manhattan, KS 66505-1266 • (785) 587-0007 • FAX (785) 587-0003

DATE: February 19, 1998

TO: House Committee on Taxation

FROM: Michael Doane, Executive Vice-President
Kansas Association of Wheat Growers

RE: Proposed Amendments to H.B. 2481

On behalf of the Kansas Association of Wheat Growers, I would like to submit the following amendments to the committee pertaining to the Producer Investment Act (H.B. 2481):

Lines 23-26: (2)(b) For all taxable years commencing after December 31, 1996 1997, there shall be allowed a credit against the tax liability of ~~an individual or family farm corporation~~ a member imposed under the Kansas income tax act in an amount equal to 10% of the a direct investment in an agricultural cooperative.

HOUSE BILL No. 2481

By Committee on Taxation

2-18

9 AN ACT relating to income taxation; providing a credit therefrom for
10 certain investments in certain agricultural cooperatives.
11

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

13 Section 1. (a) As used in this section:

14 (1) "Agricultural cooperative" means any corporation which is organ-
15 ized pursuant to the provisions of K.S.A. 17-1601 *et seq.*, and amendments
16 thereto, and which engages in the activity of developing and promoting
17 the processing and marketing of agricultural commodities grown, made
18 or manufactured in this state through marketing contracts entered into
19 pursuant to K.S.A. 17-1616, and amendments thereto; and

20 (2) "direct investment" means the payment of money or the transfer
21 of any form of economic value, whether tangible or intangible, other than
22 money in exchange for stock.

23 (b) For all taxable years commencing after December 31, 1996, there
24 shall be allowed a credit against the tax liability of an individual or family
25 farm corporation imposed under the Kansas income tax act in an amount
26 equal to a direct investment in an agricultural cooperative. The credit
27 allowed by this subsection in any taxable year to a taxpayer shall not
28 exceed \$500, or the amount of tax imposed under the Kansas income tax
29 act reduced by the sum of any other credits allowable pursuant to law,
30 whichever amount is less. If the amount of such tax credit exceeds the
31 taxpayer's income tax liability for any such taxable year, such excess
32 amount may be carried over for deduction from the taxpayer's income
33 tax liability in the next succeeding taxable year or years until the total
34 amount of the tax credit has been deducted from tax liability, except that
35 no such excess amount shall be carried over for deduction after the fourth
36 taxable year succeeding the taxable year in which the direct investment
37 was made.

38 Sec. 2. This act shall take effect and be in force from and after its
39 publication in the statute book.



P.O. Box 1266 • Manhattan, KS 66505-1266 • (785) 587-0007 • FAX (785) 587-0003

DATE: February 19, 1998

TO: Kansas House of Representatives, Committee on Taxation

FROM: Ray E. Crumbaker, President
Kansas Association of Wheat Growers

RE: Railroad Leasing Act - H.B. 2715

Chairman Kline and members of the committee, my name is Ray Crumbaker. My family and I farm near Brewster, Kansas in the northwestern part of Kansas. I currently serve as the President of the Kansas Association of Wheat Growers (KAWG). Since 1952, the KAWG has worked to enhance the profitability of our wheat producer-members. I am here today, in representation of our membership, supporting the Producer Investment Act (H.B. 2481) because we believe this legislation *will affect* the bottom line of our wheat-producer members while strengthening the Kansas economy.

As the federal government relaxes direct support of producers, we must in turn look for ways to increase our net returns in the marketplace. A little over four years ago our Board of Directors instructed our staff members to begin evaluating opportunities for producers to achieve more than just commodity prices for our wheat. What evolved was an exciting vision, coupled with some very tangible actions, which we believe could fundamentally improve our members' ability to remain profitable without direct support from the federal government.

What we are talking about is really a good, big dose of self-help. We are now creating business partnerships within our industry to coordinate the production, processing and marketing of food products. These partnerships are revolutionary, and we obviously

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believe they will help producers become more profitable. These opportunities, however require a commitment on the behalf of producers.

We are now considering ourselves “*food* producers,” not necessarily just “wheat producers.” This change in philosophy is a result of our investment in a food processing system we own and control. Instead of releasing control of our commodities at the “farm-gate,” we are now working to further process them and capture value as those commodities are transformed to food, and marketed to consumers.

So why are talking to the House Committee on Taxation about the changes occurring in Kansas agriculture? As we all know, the Kansas economy is heavily dependent on agriculture. In fact, one of the leading economic indicators for the state is the price received by farmers for their wheat. Representatives of wheat, corn, grain sorghum, and livestock producers are here today to address some of these changes and why the State should be interested.

Today you will hear what the Producer Investment Act is. You will hear who would benefit from the legislation. We will address why it is necessary. We will talk about how this could benefit small, family farmers. We will also touch on some other businesses that receive tax incentives and what the potential cost to the state might be. Also, you will hear some changes we would propose to the legislation as it is currently written.

As we approach each legislative session, we carefully choose issues which we believe the KAWG should focus on. This year, our Legislative Affairs Committee chose to focus our support on the Producer Investment Act because we believe strongly in the intent of the legislation. I ask this committee to evaluate the bill on that basis today. We are willing to consider improvements you could offer to H.B. 2481.

Myself and Michael Doane, our Executive Vice-President, will be on here throughout this hearing to answer any questions you might have. Our colleagues from other producer

organizations will add to their insight to this discussion. On behalf of our members, I thank the committee for your attention to this opportunity. I encourage you to help us create a positive future for all Kansans with your support of the Producer Investment Act.

DATE: February 19, 1998
TO: House Committee on Taxation
FROM: David Govert, Farmer
Kingman, Kansas
RE: Producer Investment Act - H.B. 2481

My name is David Govert. Myself and my family farm near Kingman. I am here today to express my support for the Producer Investment Act (H.B. 2481). I am strongly in favor of this concept, because I firmly believe it will provide an incentive for my neighbors to become involved in farmer-owned cooperatives.

I graduated from Kingman High School in 1975, which if you remember, was immediately after the golden days of production agriculture. In becoming the 3rd generation to farm our land, my dad informed me I should simply go to college and get out of this business. To this day, I am not sure whether he told me this because he really meant it - or to prepare me for the many sacrifices I would make in order to farm. Nevertheless, I enjoy farming and the lifestyle it affords me and my wife to raise our children.

I persisted in fulfilling my dream to be a farmer by renting more and more land during the 80's . While I do not consider myself a large farmer, I certainly can say I now operate as much land as five farm families made a living off of in the previous generation. This consolidation has hurt our rural communities and makes it extremely difficult for young people to begin farming. Times change and we need to recognize the challenges facing rural America. I believe we need your help to create incentives for people to re-invest in to the future of production agriculture.

Personally, I have placed some investments in what are being called "new generation cooperatives." I am now a member of U.S. Premium Beef and the 21st Century Grain Processing Cooperative. Furthermore, I have been on a working committee to determine

the feasibility of locating a strawboard manufacturing plant near Kingman. I can see the vision of adding value to my commodities. This legislation will not help me, as much as it will help my neighbors and my fellow producers across the state. A majority of them have not yet grasp the idea of adding value to their commodities.

As I look at H.B. 2481, I see several things I like. It is targeted and focused. It provides a significant incentive for all producers to take a look at using cooperatives to extract more value from our existing land and investments. I know alot of 60 year old farmers who would not invest in these cooperatives without this type of incentive. By giving them incentive to help invest in and create the cooperatives, we will take the sole burden of investment off younger producers. Also, we are not re-inventing the wheel. I believe this strengthens the type of cooperative marketing our fore-fathers had in mind when they created the Capper-Volstead Act.

I think this legislation is critical to the future of rural America and I ask this committee to act favorably upon H.B. 2481. Thank you for your consideration and attention to this matter. I would be happy to try answering any questions you might have.



MEMORANDUM

TO: Kansas House Committee on Taxation

FROM: Jere White, Executive Director

DATE: 19 February 1998

SUBJECT: H.B. 2481

The Kansas Corn Growers Association and Kansas Grain Sorghum Producers wish to stand in support of H.B. 2481. Kansas agriculture has gone through many changes over the past several years. New federal farm programs have taken a step in the right direction by providing producers new management opportunities and flexibility. However, the declining level of federal payments also provides a greater opportunity for failure in marginal operations. The key to survival is in a diversified income stream. The logical diversification is in adding value to what farmers are already producing.

The Kansas Corn Growers joined the Kansas Association of Wheat Growers over two and a half years ago in organizing a group of producers with a vision of getting closer to the consumer, where the opportunity for profit is much greater than at the farm gate. And while hundreds of producers have joined together in that effort, there are thousands that have not. Of those that are making such an investment, the majority appears to be the larger operators. Certainly there are exceptions, but the trend is clear.

The one part of Kansas agriculture, the smaller less capitalized producers, who need the diversity the most, will find it the hardest to make such a move. These are not people with deep pockets, not individuals making money in the stock market. Sometimes we forget how many smaller producers we have in this state. For example, Kansas is the number one state in grain sorghum production in the nation. We have over 28,000 Kansas farmers that grow grain sorghum. Yet when you look at the number of Kansas grain sorghum farmers with more than 200 acres, the number drops to an astonishing 3,500. The 25,000 farmers who remain are largely the smaller family farms that almost

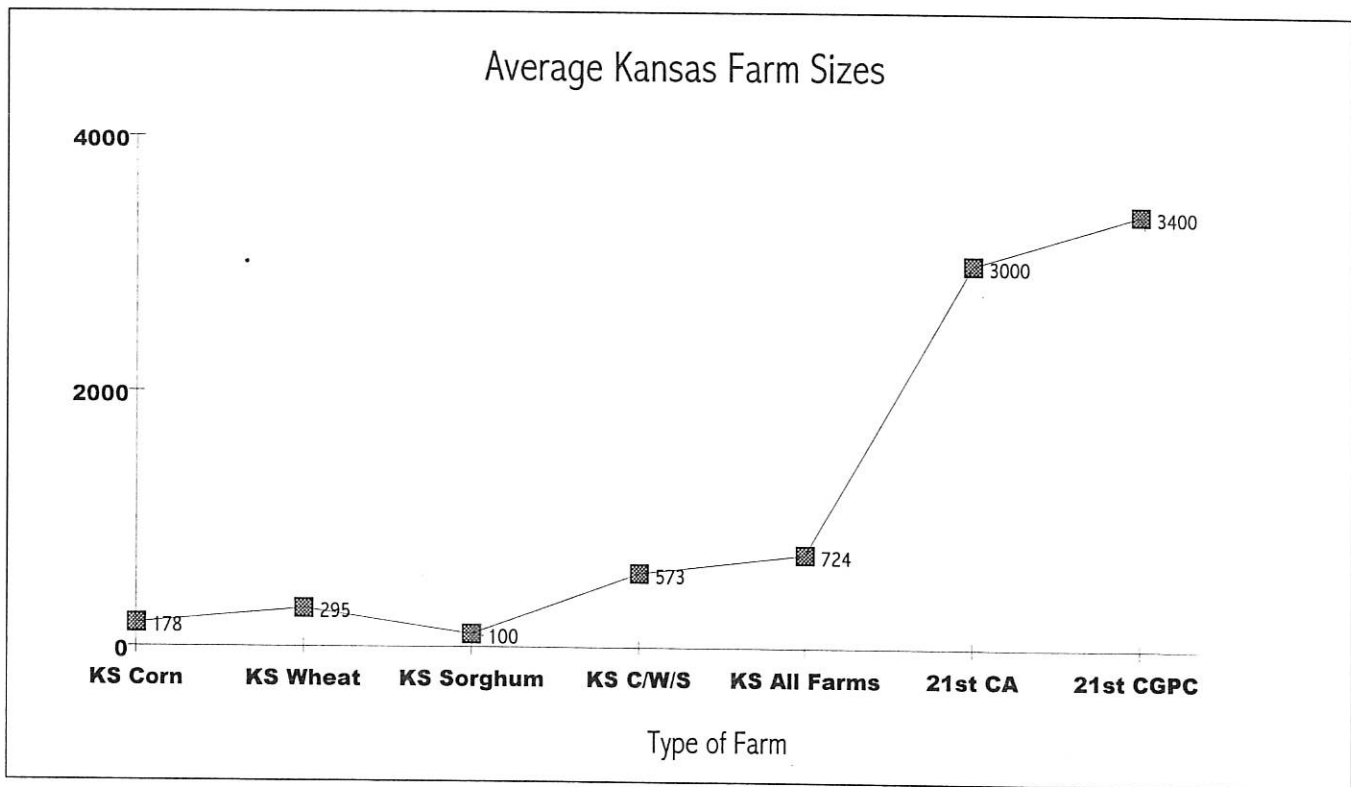
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P.O. BOX 446, GARNETT, KS 66032-0446 • PHONE: (913) 448-6922 • FAX: (913) 448-6120

everyone seems to want to preserve. So do we. One of the best ways to assist in their survival, as well as all Kansas farmers and ranchers, is to provide an incentive for investment in their future. Investment in a new venture is always risky. Many of these producers will find their everyday risk exposure from farming and ranching to be enough. A tax incentive can be a powerful tool; one that helps diversify income on the farm and provide jobs and economic development back to the state.

Many of these jobs would be located in areas that aren't always on the new business location "top ten list". And rural areas of Kansas could use the boost. A tax credit now will give the opportunity for increased tax revenues later, both income and property.

We urge this committee to move H.B. 2481 favorably. We believe that it will provide the opportunity for a stronger Kansas economy, in and outside of agriculture.



9-2



Since 1894

Testimony

presented by

LewJene Schneider
Director of Research and Legal Affairs

regarding

House Bill 2481

before the

HOUSE COMMITTEE ON TAXATION

February 19, 1998

The Kansas Livestock Association (KLA), formed in 1894, is a trade association representing over 7,300 members on legislative and regulatory issues. KLA members are involved in all segments of the livestock industry, including cow-calf, feedlot, seedstock, swine, dairy and sheep. In 1996, cash receipts from agriculture products totaled over \$7.5 billion, with sixty percent of that coming from the sale of livestock. Cattle represent the largest share of cash receipts, representing ninety percent of the livestock and poultry marketings.

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Chairperson Kline and members of the House Committee on Taxation, thank you for the opportunity to appear before you today. My name is LewJene Schneider. I am the Director of Research and Legal Affairs for the Kansas Livestock Association.

KLA urges you to give favorable consideration to House Bill 2481, the producer investment act. This act allows producers to invest in cooperatives to help develop and market their products. Hopefully, such producers/investors will be able to garner additional monies for their product, as they become owners of the value-added institution and reap the dividends.

Due to the way this legislation is structured, it treats small producers the same as the larger producers. Everyone is on an equal playing ground, regardless of size and amount of money invested. This appears to be investor friendly to everyone.

The tax credit provides an incentive not to exceed \$500. per taxable year. All members who invest in the agriculture cooperative will be eligible for the tax credit. Current Kansas law provides a strict definition of who can be a member of a cooperative, thereby limiting and regulating who is eligible for the tax credit.

The Producer Investment Act will provide Kansans with an incentive to invest in the production and marketing of their own products. By incentivizing this investment, the state will strengthen rural communities and family farms. Kansas will benefit from this additional investment and additional monies earned.

One such example of this is the recent formation of the organization, U.S. Premium Beef. This is a closed marketing coop producers put together in an attempt to gain marketing advantage and compensation of producing quality, premium beef. U.S. Premium Beef has acquired part of a packing and processing business. Their belief is they will procure additional monies for their product, and will members will receive benefit of the ownership when monies are made and returned to them.

KLA urges you to give favorable consideration to House Bill 2481 and support the proposed amendments. Thank you for your time.

Testimony on HB2481
House Taxation Committee
February 19, 1998
Prepared by Joe Lieber
Kansas Cooperative Council

Mr. Chairman and members of the committee, for the record, I'm Joe Lieber, Executive Vice President of the Kansas Cooperative Council. The Council has a membership of nearly 200 cooperative businesses, which have a combined membership of 200,000 Kansans.

Approximately 160 of our members are producer owned cooperatives. These cooperatives were started when a common need was determined by the producers. Such things as group purchasing of ag inputs, bulk shipping, marketing and electricity are a few of the examples why producers formed cooperatives.

Cooperatives were in the United States before our independence. Ben Franklin started an insurance cooperative in 1754. Some of the first farm cooperatives were started before the Civil War. We have had cooperatives in Kansas for most of this century. The cooperative creed is, "Doing together what we can not do alone." All cooperatives were organized because of a common need.

The common need for the farmer and rancher of Kansas today is added-value. When you, the consumer purchases a steak or a loaf of bread, a very small percent of that price ever gets back to the producer. There are too many middle-men. The only way

the producer can have more income for their work is to move up the food chain and add value to their raw products.

For the last five or six years, it has been said that North Dakota has had "Co-op Fever," because their farmers and ranchers have started so many added-value cooperatives. They have built pasta factories, cheese plants and bison packing plants. These are examples of producers helping themselves to add value. I am happy to say that in the last few years, Kansas has caught "Co-op Fever." The 21st Century Alliance and US Premium Beef are two main examples, but there are many others in the organizational stages.

The Kansas Cooperative Council supports HB2481 because we feel it will help farmers and ranchers help themselves move up the food chain. It will also help the Kansas economy by investing in its number one industry, agriculture. HB2481 creates a win-win situation.

Thank you for your time. I will attempt to answer any questions.

PRMF

MEMORANDUM

TO: Ms. Gloria M. Timmer, Director
Division of Budget

DATE: March 25, 1997

FROM: Kansas Department of Revenue

RE: House Bill 2481, as Introduced

BRIEF OF BILL

House Bill 2481, as introduced, will allow a credit against the tax liability of an individual or family farm corporation an amount equal to a direct investment in an agricultural cooperative. The credit shall not exceed \$500, or the amount of the tax imposed. If the credit exceeds the tax liability the credit may be carried forward until the total amount of the credit is used.

This bill is effective on its publication in the statute book.

FISCAL IMPACT:

Passage of this bill would reduce fiscal year 1998 state general fund revenues.

No data currently exists to determine the number of taxpayers that would claim the \$500 credit for direct investment in an agricultural cooperative. However, if 1% of the total 1.1 million resident taxpayers take advantage of this deduction, the fiscal impact to the state general fund in fiscal year 1998 would be about \$5.5 million (1.1 million x 1% x \$500).

ADMINISTRATIVE IMPACT:

None.

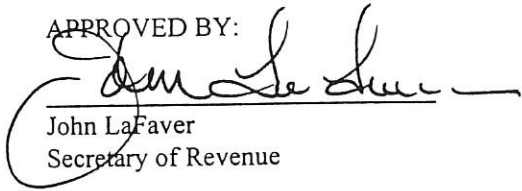
ADMINISTRATIVE PROBLEMS AND COMMENTS:

None.

LEGAL IMPACT:

None.

APPROVED BY:


John LaFaver
Secretary of Revenue

1 section among entities classified as members of an affiliated group as
 2 provided by federal law (U.S.C. Section 1504);
 3 (c) the gross receipts from the sale or furnishing of gas, water, elec-
 4 tricity and heat, which sale is not otherwise exempt from taxation under
 5 the provisions of this act, and whether furnished by municipally or pri-
 6 vately owned utilities;
 7 (d) the gross receipts from the sale of meals or drinks furnished at
 8 any private club, drinking establishment, catered event, restaurant, eating
 9 house, dining car, hotel, drugstore or other place where meals or drinks
 10 are regularly sold to the public;
 11 (e) the gross receipts from the sale of admissions to any place pro-
 12 viding amusement, entertainment or recreation services including admis-
 13 sions to state, county, district and local fairs, but such tax shall not be
 14 levied and collected upon the gross receipts received from sales of ad-
 15 missions to any cultural and historical event which occurs triennially;
 16 (f) the gross receipts from the operation of any coin-operated device
 17 dispensing or providing tangible personal property, amusement or other
 18 services except laundry services, whether automatic or manually operated;
 19 (g) the gross receipts from the service of renting of rooms by hotels,
 20 as defined by K.S.A. 36-501 and amendments thereto;
 21 (h) the gross receipts from the service of renting or leasing of tangible
 22 personal property except such tax shall not apply to the renting or leasing
 23 of machinery, equipment or other personal property owned by a city and
 24 purchased from the proceeds of industrial revenue bonds issued prior to
 25 July 1, 1973, in accordance with the provisions of K.S.A. 12-1740 through
 26 12-1749, and amendments thereto, and any city or lessee renting or leas-
 27 ing such machinery, equipment or other personal property purchased
 28 with the proceeds of such bonds who shall have paid a tax under the
 29 provisions of this section upon sales made prior to July 1, 1973, shall be
 30 entitled to a refund from the sales tax refund fund of all taxes paid
 31 thereon;
 32 (i) the gross receipts from the rendering of dry cleaning, pressing,
 33 dyeing and laundry services except laundry services rendered through a
 34 coin-operated device whether automatic or manually operated;
 35 (j) the gross receipts from the rendering of the services of washing
 36 and waxing and waxing of vehicles *except such services rendered through*
 37 *a coin-operated device whether automatic or manually operated;*
 38 (k) the gross receipts from cable, community antennae and other sub-
 39 scriber radio and television services;
 40 (l) the gross receipts received from the sales of tangible personal
 41 property to all contractors, subcontractors or repairmen of materials and
 42 supplies for use by them in erecting structures for others, or building on,
 43 or otherwise improving, altering, or repairing real or personal property

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(f) The gross receipts from the operation of any coin-operated device dispensing
 or providing tangible personal property, amusement or other services except
 laundry services, and self service coin-operated vehicle washing services and
vacuuming, operated exclusively by the consumer, whether automatic or
 manually operated.

j) The gross receipts from the rendering of the services of washing and waxing
 and waxing and vacuuming of vehicles except such services rendered through
a coin or token operated device operated exclusively by the consumer whether
automatic or manually operated.

HOUSE BILL No. 2287

By Representatives Shallenburger, Burroughs, Dahl, Findley, Grant, Hayzlett, Henry, P. Long, McCreary, Morrison, Ruff, Shore, Spangler and Vickrey

2-10

11 AN ACT relating to sales taxation; exempting sales of car washing services
12 rendered through coin-operated devices; amending K.S.A. 1996 Supp.
13 79-3603 and repealing the existing section.
14

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

16 Section 1. K.S.A. 1996 Supp. 79-3603 is hereby amended to read as
17 follows: 79-3603. For the privilege of engaging in the business of selling
18 tangible personal property at retail in this state or rendering or furnishing
19 any of the services taxable under this act, there is hereby levied and there
20 shall be collected and paid a tax at the rate of 4.9%:

21 (a) The gross receipts received from the sale of tangible personal
22 property at retail within this state;

23 (b) (1) the gross receipts from intrastate telephone or telegraph serv-
24 ices and (2) the gross receipts received from the sale of interstate tele-
25 phone or telegraph services, which (A) originate within this state and
26 terminate outside the state and are billed to a customer's telephone num-
27 ber or account in this state; or (B) originate outside this state and ter-
28 minate within this state and are billed to a customer's telephone number
29 or account in this state except that the sale of interstate telephone or
30 telegraph service does not include: (A) Any interstate incoming or out-
31 going wide area telephone service or wide area transmission type service
32 which entitles the subscriber to make or receive an unlimited number of
33 communications to or from persons having telephone service in a speci-
34 fied area which is outside the state in which the station provided this
35 service is located; (B) any interstate private communications service to
36 the persons contracting for the receipt of that service that entitles the
37 purchaser to exclusive or priority use of a communications channel or
38 group of channels between exchanges; (C) any value-added nonvoice
39 service in which computer processing applications are used to act on the
40 form, content, code or protocol of the information to be transmitted; (D)
41 any telecommunication service to a provider of telecommunication ser-
42 vices which will be used to render telecommunications services, in-
43 cluding carrier access services; or (E) any service or transaction defined in this

KANSAS HOUSE OF REPRESENTATIVES

MEMORANDUM IN SUPPORT: H.B. 2287

By Representatives Shallenburger, Burroughs, Dahl, Findley, Grant, Hayzlett, Henry, P.Long, McCreary, Morrison, Ruff, Shore, Spangler and Vickrey.

COMMITTED TO COMMITTEE ON TAXATION:

An Act relating to sales taxation; exempting sales of unassisted self service motor vehicle wash, wax, and vacuum services rendered through coin-operated devices; amending K.S.A. 1996 Supp. 79-3603.

CAR WASH BILL

H.B. 2287 required two (2) amendments to meet the intention of this legislative bill as originally proposed by and to the sponsors.

Section I. K.S.A. 1996 Supp. 79-3603 is hereby amended to read as follows:

(F) The gross receipts from the operation of any coin-operated device dispensing or providing tangible personal property, amusement or other service except laundry services, and self service coin-operated vehicle washing services and vacuuming, operated exclusively by the consumer, whether automatic or manually operated.

(J) the gross receipts from the rendering of the services of washing and washing and waxing and vacuuming or vehicles except such services rendered through a coin or token operated device, operated exclusively by the consumer whether automatic or manually operated.

EXPLANATION

These two (2) revisions amended into H.B. 2287 would exempt from the sales and uses tax the payments made for motor vehicle washing, waxing, and vacuuming if the washing, waxing and vacuuming is performed exclusively by coin-operated equipment by the purchaser or user and no employee of the seller of the service assists in the washing, waxing, or vacuuming.



DIVISION OF THE BUDGET

Room 152-E
 State Capitol Building
 Topeka, Kansas 66612-1504
 (913) 296-2436
 FAX (913) 296-0231

February 18, 1997

Gloria M. Timmer
 Director

Il Graves
 Governor

Shallenburger
Bussowes
Dahl
Finley
Grant
Hayzlett
Hennig
P. Long
McCreary
Marrison - Colby
Ruff
Shaw
Spangler
Vickroy

The Honorable Phill Kline, Chairperson
 House Committee on Taxation
 Statehouse, Room 170-W
 Topeka, Kansas 66612

Dear Representative Kline:

SUBJECT: Fiscal Note for HB 2287 by Representatives Shallenburger, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2287 is respectfully submitted to your committee.

HB 2287 adds to those items exempt from state sales tax the gross receipts from rendering the services of washing and waxing vehicles through coin-operated devices, whether automatic or manually operated.

Estimated State Fiscal Impact				
	FY 1997 SGF	FY 1997 All Funds	FY 1998 SGF	FY 1998 All Funds
Revenue	-	-	(\$743,779)	(\$783,750)
Expenditure	-	-	-	-
FTE Pos.	-	-	-	-

According to the Department of Revenue, no data exist on the gross receipts of coin-operated motor vehicle washing and waxing facilities. However, the Department of Revenue did develop an estimate of these receipts projected from the 1992 Economic Census of Kansas Service

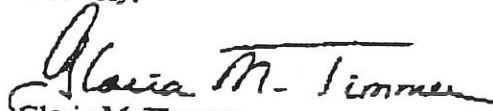
The Honorable Phill Kline, Chairperson
February 18, 1997
Page 2

72

Industries. The census showed that there were 140 establishments in Kansas with SIC code 7452, Automotive Services, Carwashes. The gross receipts for these car washes were \$24,015,000 for 1992 and \$16,534,000 for 1987, a 45.2 percent increase over the five years. Assuming this growth rate continued, the 1997 projected gross receipts would be \$34.9 million. The Department of Revenue also assumed that 50 percent of the business in this category are coin-operated car washes, which would total an annual loss of receipts of \$855,000. This number was arrived at by taking 50 percent of the gross receipts multiplied by the state tax rate of 4.9 percent. The Department of Revenue estimates that the loss to the State General Fund would be \$743,779 and \$39,971 to the State Highway Fund in FY 1998. The total decrease of revenue is \$783,750, which is the total annual decrease of revenue of \$855,000 minus the one month lag because of filing returns. Also, the Department of Revenue assumed the term "coin-operated" to include tokens, credit cards, or a number assigned that is entered into a control panel to activate the car wash.

The Department of Revenue notes that this estimate reflects only sales from car washes that are stand-alone businesses. Car washes that are attached to a service station would not be included in the estimate. The Department of Revenue states that data are not available to project the impact these car washes would have on sales tax revenue. However, the Department goes on to say that the overall fiscal impact of these car washes may not be significant, as many of the service stations with car washes offer the car wash free or at a reduced price depending on the amount of purchases.

Sincerely,


Gloria M. Timmer
Director of the Budget

cc: Lynn Revenue, Department of Revenue

13-4

REPORT

**TO THE KANSAS LEGISLATURE
HOUSE OF REPRESENTATIVES**

**INFORMATION ON H.B. 2287
SELF SERVICE, COIN-OPERATED
CAR WASH, SMALL BUSINESS**

**IF YOU HAVE QUESTIONS OR REQUIRE FURTHER INFORMATION,
PLEASE CALL BILL SMITH, HEARTLAND CAR WASH ASSOCIATION.
(913) 491-8333**

13-5

SELF SERVICE CAR WASH OPERATORS OF KANSAS

TO: HOUSE TAXATION COMMITTEE

H.B. 2287

We believe there are compelling reasons for the Governor and the Legislature to provide sales tax relief for self service, coin-operated car washes.

Fairness - of all the small businesses operating within Kansas, the self service, coin-operated laundry and drycleaner are the closest by all comparisons to self service, coin-operated car washes. Many Kansas coin-op car wash operators also operate the local coin-op laundry. Coin-laundries are, and have been, sales tax free in Kansas from the introduction of this repressive taxing scheme to hard working state citizens.

Uncollectible - Our equipment is driven only by quarters; it cannot make change, and when we raise our price per cycle, it does significantly cause our patrons to wash at home or at any one of the prolific charity car washes developing at an alarming rate. In car wash industry studies preference for different types of carwashes, the largest percent of consumer respondents - 46.6% prefer home driveway car washing, with 8.6% indicating a self service, coin-op car wash use. Again, when consumers are asked reasons for not using carwashes 32.0% indicate too expensive, 30.1% wash at home, 10.6% state poor wash job and 9.2% inconvenience.

Industry Growth - Kansas self service, coin-operated car wash growth has not been keeping pace with national car wash industry development. Industry technology today is producing a new generation of superior water saver - environmentally sound equipment packages that will replace aging car wash facilities that exist through out rural Kansas. Sales tax on consumer use of the self service car wash does not exist in states that neighbour Kansas.

Precedent Legislation - Sales tax on self service car washes has been repealed in 31 states with full bi-partisan support in each state.

Latest to take legislative initiative was New York in 1997. Utah, Conn, and Ohio all acted in the late 80's and early 90's. This year the car wash industry is moving on Iowa and Washington State and is expecting passage, to repeal sales tax on self service car wash.

No other industry may claim these issues.

Vending machines generally provide discretionary purchases, are not as price sensitive as self service car washes, they make change, they have little effect on the environment, and little or no regulation that dramatically impacts profitability. Product costs and therefore profit margins may be altered by changing quantity, packaging, etc.

Professional car washes have become increasingly costly both to build and to operate, from ever demanding zoning restrictions, higher construction costs, water treatment and sewer flow charges and restrictions, waste disposal regulation and expenses. We pay taxes on equipment and some supplies, property taxes, school taxes, and utility taxes. We willingly comply with, and exceed, environmental and E.P.A. waste water regulations. Professional self-service car washes provide a very necessary service, but throughout Kansas our ability to offset continuing rising costs is rapidly diminishing, with no ability to pass this along to consumers.

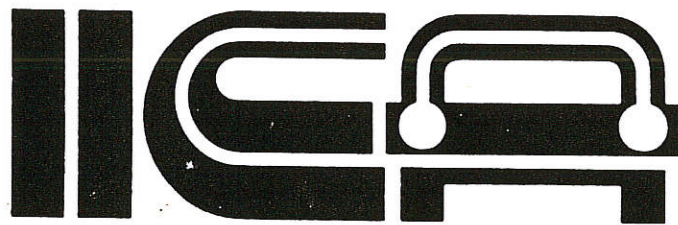
PROFESSIONAL CAR WASHING

KANSAS WORLDWIDE

Professional Car Washing equipment and services are divided into four (4) traditional categories.

1. Self Service, Coin-operated Automatic and Wand Wash.
2. Exterior, Roll-over - Service Station Type.
3. Full Service, Exterior - Conveyor Type.
4. Custom Hand Wash - Detail Shop Type
- 4a. Fund Raiser Hand Wash (i.e. Service Club, School)

FACTS ABOUT THE CARWASH CUSTOMER



INTERNATIONAL CARWASH ASSOCIATION

1997

**- All rights reserved -
International Carwash Association**

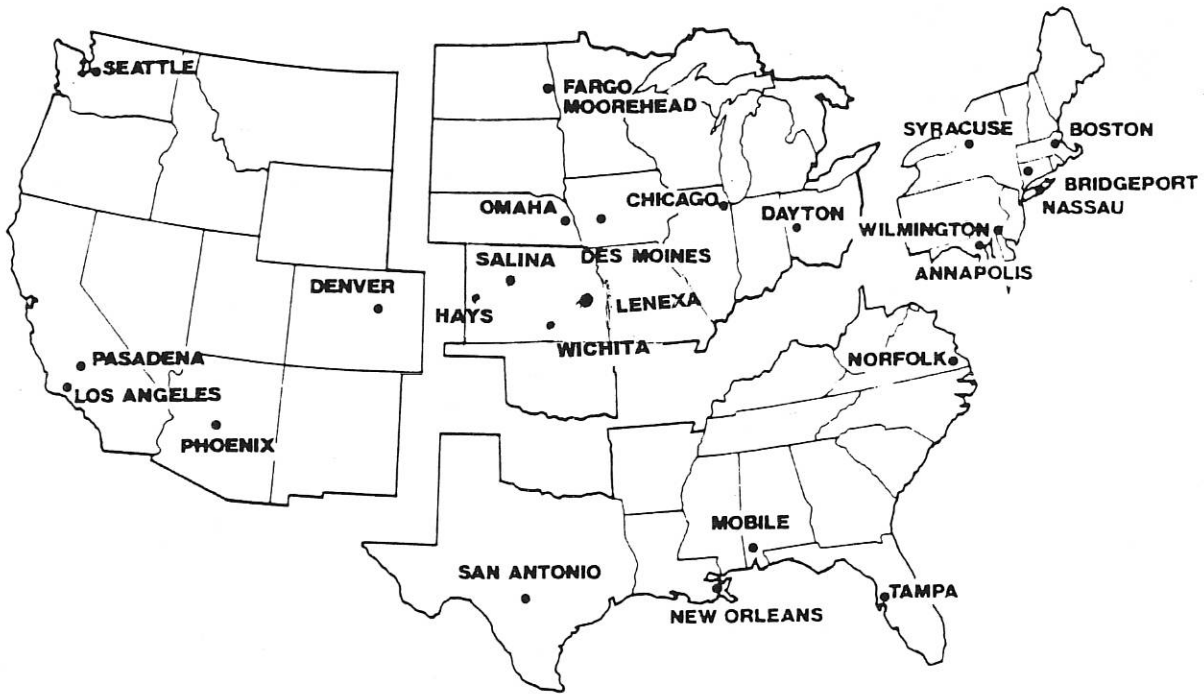
Facts About The Carwash Customer

Compiled by:

Dr. Charles Connolly

University of Iowa, School of Business

Ames, Iowa 50010



Age And Sex Categories Of Consumers Surveyed

Age Category	Percentage
Under 21	9.1
21 - 34	33.5
35 - 49	26.3
50 - 65	20.7
Over 65	8.6
Refused to give age	1.8

Sex Category	Percentage
Male	47.1
Female	52.9

Frequency Of Washing Car

Wash Car	Percentage
Weekly	44.1
Every 2 weeks	19.1
Monthly	14.2
Every 2 - 4 months	7.3
Every 6 months or more	13.4

Crosstabulation Between Frequency of Washing Car And Geographic Area

	Weekly	Every 2 Weeks	Monthly	Every 2 - 4 Months	Every 6 Months or More	Don't Know	TOTAL
West	105	55	44	17	25	4	250
Midwest	107	62	25	16	35	5	250
East	96	40	42	22	43	7	250
South	133	34	31	18	31	3	250
TOTAL	441	191	142	73	134	19	1000

Crosstabulation Between Frequency of Washing Car And Age Group

	Weekly	Every 2 Weeks	Monthly	Every 2 - 4 Months	Every 6 Months or More	Don't Know	TOTAL
Under 21	41	19	13	2	15	1	91
21 - 34	164	71	38	21	36	5	335
35 - 49	114	49	40	18	37	5	263
50 - 65	86	34	31	19	33	4	207
Over 65	28	15	17	12	12	2	86
TOTAL	433	188	139	72	133	17	982

Crosstabulation Between Frequency of Washing Car And Sex

	Weekly	Every 2 Weeks	Monthly	Every 2 - 4 Months	Every 6 Months or More	Don't Know	TOTAL
Male	232	106	48	28	44	13	471
Female	209	85	94	45	90	6	529
TOTAL	441	191	142	73	134	19	1000

Preference For Different Types Of Carwashes

Carwash Type	Percentage
Full Service	11.8
Exterior	13.5
Stationary Brush Roll-Over	15.2
Self-Service Wand	8.6
Self-Wash	46.4

Crosstabulation Between Preferences For Carwashes And Geographic Area

	Full Service	Exterior	Stationary Brush Roll-Over	Self-Service Wand	Wash Self	TOTAL
West	65	23	27	24	102	241
Midwest	19	42	60	29	93	243
South	16	22	28	22	154	242
East	18	48	37	11	115	229
TOTAL	118	135	152	86	464	955

Crosstabulation Between Preferences For Carwashes And Age Groups

	Full Service	Exterior	Stationary Brush Roll-Over	Self-Service Wand	Wash Self	TOTAL
Under 21	4	6	7	10	59	86
21 - 34	31	50	36	45	163	325
35 - 49	33	34	49	15	118	249
50 - 65	34	31	40	12	82	199
Over 65	11	12	18	4	37	82
TOTAL	113	133	150	86	459	941

Crosstabulation Between Preferences For Carwashes And Sex

	Full Service	Exterior	Stationary Brush Roll-Over	Self-Service Wand	Wash Self	TOTAL
Male	52	63	57	48	235	455
Female	66	72	95	38	229	500
TOTAL	118	135	152	86	464	955

Reasons For Not Using Carwashes

Reasons	Percentage
Too expensive	32.0
Wash own car	30.1
Poor job	10.6
Damage finish	9.5
Inconvenience	9.2
Other	8.6

Crosstabulation Between Reasons For Not Using Carwashes And Geographic Area

	Wash Own	Too Expensive	Damage Finish	Poor Job	Inconvenience	Miscellaneous	TOTAL
West	22	28	4	8	14	4	80
Midwest	15	21	11	8	4	9	68
South	36	52	15	17	11	7	138
East	35	14	4	5	4	11	31
TOTAL	108	115	34	38	33	31	359

Rating Of Brush or Pad Carwashes

Rating	Percentage
Excellent	7.4
Good	38.3
Fair	42.0
Poor	12.3

Crosstabulation Between Rating Of Brush or Pad Carwashes And Geographic Area

	Excellent	Good	Fair	Poor	TOTAL
West	20	106	66	25	217
Midwest	21	76	95	31	223
South	11	64	103	34	212
East	12	83	97	16	208
TOTAL	64	329	361	106	860

Crosstabulation Between Preferences For Carwashes And Frequency Of Washing Car

	Full Service	Exterior	Stationary Brush Roll-Over	Self-Service Wand	Wash Self	TOTAL
Weekly	58	45	68	46	224	441
Every 2 Weeks	28	34	34	15	80	191
Monthly	22	21	15	10	63	131
Every 2 - 4 Months	7	13	13	4	35	72
Every 6 Months or More	3	22	22	11	60	118
TOTAL	118	135	152	86	462	953

LEGISLATIVE REPORT

WATER RESOURCE CONSUMPTION SELF SERVICE CAR WASHES

INFORMATION:

Home (driveway) car washing - 5/8" garden hose at 50 psi delivers 16 gallons per minute.
SELF SERVICE CAR WASHES pump with an .06 orifice nozzle (most commonly used nozzle) at 1000 psi. This setup delivers 3.5 gallons per minute.
The difference in water consumption usage is dramatic - 16 gallons vs. 3.5 gallons per minute.
SOURCE: Ortho Book, Copyright 1979 Chevron Chemical Company.

COMMENT:

The vast majority of fresh water used at a self service car wash is fully managed, properly disposed of, and totally available for reuse by treatment facilities. In contrast the home car wash or charity wash lets its soapy runoff water flow into the storm sewer. It is not treated. It cannot be reused. It ultimately flows into our streams and rivers and, depending upon what chemicals were used, may add to the pollution of our fresh water supply.

HOW SELF SERVICE CAR WASHES MANAGE WATER RESOURCES:

A typical ten (10) minute wash at a professional self service car wash breaks down like this:

Foaming whitewall cleaner	1 minute	.25 gal
High pressure soap	2 minutes	7.00 gal
Foaming brush	3 minutes	.20 gal
High pressure rinse	2 minutes	7.00 gal
Spot free rinse	<u>2 minutes</u>	<u>2.00 gal</u>
	10 minutes	16.45 gallons

Where the foaming brush option is offered and used, only two (2) cups of water is used per minute.

**IMPROVED MANAGEMENT OF WATER AND SEWER
IS OUR INDUSTRY'S MOST MAJOR ACHIEVEMENT!**

AN ENVIRONMENTAL LOOK AT HOME OR CHARITY WASHING:

Washing a vehicle with a common garden hose with a shut off nozzle will require a minimum of ten (10) minutes of actual spraying time. At 16 gallons per minute the total demand is 160 gallons. By comparison at a professional self service facility, we will have washed almost nine (9) vehicles with the same 160 gallons of fresh water. Again, the self service facility will control disposal of its effluent in accordance with DNR guidelines.

FURTHER ANALOGIES:

Compare the amount of fresh water demand by the average self service car wash to that of a single family dwelling.

A five (5) bay self service car wash uses an average of 31,667 gallons of fresh water per month. Drawing on samplings from several Kansas communities, we have learned that summer consumption of water for a single family dwelling to be 39,207 gallons per month. For the car wash sample we used the peak periods of fall, winter and early spring.

HEARTLAND CARWASH ASSOCIATION - KANSAS

BILL SMITH - (913) 491-8333

(905) 937-9670 (fax)

KANSAS LEGISLATIVE REPORT

IN SUPPORT OF S.B. 80/ HB 2287
CAR WASH BILL

NEW YORK TIMES
FEB/11/97

Economize water use, report says

Consumption high around Great Lakes

BY MARTIN MITTELSTAEDT
Queen's Park Bureau

TORONTO — Rising consumption and the effects of global warming could cause a reduction of more than 25 per cent in the amount of water flowing out of the Great Lakes, says a report by the major non-governmental environmental group monitoring the basin.

The decrease would occur over 40 years if no actions are taken to economize water use by the 33 million people living around the lakes and if global warming occurs, says the study, released yesterday by Great Lakes United.

The drop would lead to lower lake levels, affecting everything from the amount of cargo that ships could carry without running aground to the capacity of hydroelectric plants, the study says.

They could drop even more if major diversion projects are approved to move water from the Great Lakes to parched areas of the United States, warns the report, titled *The Fate of the Great Lakes*.

"We know that there are going to be large, continental water shortages in the United States early in the next millennium and we are really putting our water at risk in the Great Lakes basin if we do not act," said Sarah Miller, who oversaw the report's compilation.

One of the possible threats to the lakes is depletion of the Ogallala Aquifer in the U.S. High Plains, where high consumption for irrigation is causing water tables to drop. The report also speculated that Great Lakes water could be moved to California or Mexico.

"As water sources throughout the continent are depleted, the grand schemes that thus far have been set aside will become much more viable and the need for them ever more compelling," the study says.

Ontario Environment Minister Norman Sterling told reporters that the province would resist any efforts to divert water out of the Great Lakes basin.

"The amount of water in the basin is very important to us," he said. "It's a very, very sensitive matter when you shift water from one water basin to another."

The report notes that Canada and the United States had the highest per-capita rates of water usage in the world, in part because water costs tend to be subsidized by governments. In Ontario, for instance, user fees recoup only about half the cost of providing water services, the report says.

The report recommends that governments set a goal of reducing per-capita water usage rates in the basin by 50 per cent by 2005 and that further steps be taken to improve water quality.

HEARTLAND CAR WASH ASSOCIATION/KANSAS; 1997
WATER AND SEWER MANAGEMENT PROFESSIONALS
BILL SMITH (913) 491-8333
FAX (905) 937-9670

13-20



MICHAEL J. BRAGMAN
MAJORITY LEADER

THE ASSEMBLY
STATE OF NEW YORK
ALBANY

District Office
 305 South Main
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Room 926
Legislative Office Building
Albany, New York 12248
(518) 455-4567

Room 436
Capitol Building
Albany, New York 12224
(518) 455-4225

August 6, 1997

RE: SALES TAX EXEMPTION FOR COIN-OPERATED
SELF-SERVICE CAR WASHES

Dear Friend:

This letter is written to inform you that the 1997-98 State Budget includes a sales tax exemption for coin-operated, self-service car washes. Specifically, this includes the washing, waxing, and vacuuming of motor vehicles involving the exclusive use of coin-operated equipment. The exemption will be effective December 1, 1997.

As you know, when the New York Sales Tax went into effect in 1965, the coin-operated, self-service car washing industry in New York State was a new enterprise. By contrast, similar coin-operated, self-service laundry and dry cleaning small businesses were rapidly developing throughout the state. The coin laundry industry sought and received an exempt status from the sales and compensating use tax. In this regard, the coin-operated, self-service car washing industry has since established itself as a economically significant, statewide industry with nearly 300 facilities.

I believe this initiative will help coin-operated, self-service car washes remain as viable small business enterprises across New York State.

If you have questions or need additional information or assistance on this or any other matter, please do not hesitate to contact me.

Best wishes.

Very truly yours,

Michael J. Bragman
Majority Leader

13-21



The University of Dayton

**THE IMPACT OF ELIMINATING SALES TAX
ON COIN-OPERATED SELF-SERVICE CAR WASHES IN
THE STATE OF OHIO AND ITS SIGNIFICANCE FOR
THE STATE OF NEW YORK**

*The University of Dayton
Department of Accounting
300 College Park, Dayton, Ohio 45469-0001*

13-22

**THE IMPACT OF ELIMINATING SALES TAX ON COIN OPERATED
SELF SERVICE CAR WASHES IN THE STATE OF OHIO
AND ITS SIGNIFICANCE FOR
THE STATE OF NEW YORK**

by

Philip H. Vorherr C.P.A., Ph.D.

The repeal of the law requiring the collection of sales tax on coin-operated, self-serve car wash operations in Ohio was a tremendously beneficial piece of legislation for the State of Ohio. The sales tax repeal resulted in a proliferation of new car wash proprietorships in the State of Ohio. An increase of 245% from 137 businesses in 1982, before the repeal, to over 335 by the end of 1985, supports the position that the growth of this industry was a direct result of the elimination of the sales tax. The car wash industry is characterized by small businessmen each owning a single car wash. In 1982 there were 125 different owners of the 137 business establishments.

As a consequence of the repeal of the Sales Tax on self service car washes, the State of Ohio reaped a bonanza. As the table on page two illustrates, the 200 additional businesses started required an investment in new equipment of \$14,850,000. In addition, these businesses installed \$1,350,000 of vacuum cleaning equipment, spent \$1,755,000 on soap and supplies and another \$405,000 on replacement parts. all of these expenditures were subject to sales Tax. These new facilities also resulted in increased property tax assessments of over \$500,000 per year.

**STATE OF OHIO
EXPENDITURE AFTER REPEAL OF SALES TAX**

New Equipment*	\$14,850.00
Soap and Supplies *	\$ 1,755.00
Vacuum Cleaners*	\$ 1,350,000
Replacement Parts*	\$ 405,000
Property Taxes (annual)	\$ 560,000

*subject to sales tax

13-23

The repeal of the sales tax did not result in a loss of revenue to the State. It has been estimated that the State of Ohio lost approximately \$1.1 to \$1.5 million in decreased sales tax. This loss has been more than offset by the expanded purchases of the new businesses and by the increased property taxes. In addition, these new facilities have resulted in millions of dollars of salaries and wages subject to State Income Tax.

As a result of the repeal of the sales tax law, the State of Ohio is now one of 41 states that does not have a sales tax on this type of business.

IMPACT ON THE STATE OF NEW YORK

If the State of New York were to experience the same growth in the self service car wash business as did the State of Ohio, New York can expect a 245% increase in the number of such businesses in 30 months. The number of businesses would jump from 145 to 355. The cost of the equipment for these new 210 facilities would be approximately \$15,600,000. In addition to sales tax on the \$15.6 million in new equipment New York could expect to collect sales tax on sales of over \$6,000,000 of soap, supplies, vacuum cleaners and replacement parts. The details are presented in the table below.

**STATE OF NEW YORK
ESTIMATED INCREASE IN EXPENDITURES AFTER REPEAL OF SALES TAX
ON NEW FACILITIES BASED ON EXPERIENCE FROM THE
STATE OF OHIO**

New Equipment*	\$15,600,000
Soap and Supplies*	\$ 1,850,000
Vacuum Cleaners*	\$ 1,420,000
Replacement Parts*	\$ 2,730,000
Property Taxes (annual)**	\$ 945,000

*subject to Sales Tax

**210 additional businesses at \$4,500.00 each

The repeal of the sales tax law would result in an increase in Sales Tax of approximately \$864,000. The estimated short fall is \$195,000; therefore, the repeal of the sales tax law would result in a net increase of \$699,000 in revenue to the State of New York. The State would also experience an increase of \$945,000 in property taxes and would be able to collect

State Income tax on millions of dollars of additional salaries and wages for the construction and operation of these new businesses.

When the multiplier effect is also considered, it becomes clear that the State of New York would benefit greatly from the revenue generated by the repeal of the Sales Tax on coin-operated, self-service car wash operations. These numbers are realistic given today's economic environment and the restrained demand for car washes in New York.