

CONTINUATION SHEET

MINUTES OF THE HOUSE TOURISM COMMITTEE, Room 522-S-S Statehouse, at 1:30 p.m. on January 29, 1997.

Approved: March 26, 1998  
Date

MINUTES OF THE HOUSE TOURISM COMMITTEE.

The meeting was called to order by Chairperson Barbara P. Allen at 1:30 p.m. on January 29, 1998 in Room 522-S-of the Capitol.

All members were present except: Representative Adkins - excused  
Representative O'Neal - excused  
Representative Presta - excused

Committee staff present: Tom Severn, Legislative Research Department  
Mark Burenheide, Legislative Research Department  
Renaë Jefferies, Revisor of Statutes  
Nancy Kirkwood, Committee Secretary

Conferees appearing before the committee: Secretary of KDOCH, Lt Governor Sherrer  
Dick Carter, Director of Governmental Affairs, TIAK  
Doug Spangler, Representative  
Carol McDowell, Appearing on behalf of the Advisory Board to  
Kansas Film Commission

Others attending: See attached list

Chairperson Allen opened the hearings on **HB2593 - establishing the travel and tourism development supplemental revenue fund and HB2594 - sales tax exemption for movie and television production companies.**

Chairperson Allen requested Mark Burenheide, Legislative Research Department, to give background on the two bills. Mark passed out a memo and a copy of the Standard Industrial Classification (SIC) codes. Mark stated **HB2593** would require a transfer of funds from the State General Fund to the new travel and tourism fund on August 1 of each year. He stated **HB2593** would create a fund for the division of travel and tourism development for the performance of the powers and duties of the division (**Attachment 1**).

Lt. Governor/Secretary Sherrer was recognized by Chairperson Allen to give an overview of **HB2593**. Secretary Sherrer stated his concern that budgets be built on need, but did not deny the need for increased tourism activity. He stated that if there is a strong commitment made that we need to be more aggressive, then it should be reflected in the appropriations process. If we need another one-half or one million we need to appropriate it. We need to build budgets on need, build them up, allocate the money in and make the travel and tourism industry stronger.

Dick Carter, Director of Governmental Affairs, TIAK, recognized by Chairperson Allen, spoke in support of **HB 2593**. Mr. Carter stated **HB 2593** establishes a funding mechanism that could establish a standard by which that investment could be increased (**Attachment 2**)

Chairperson Allen closed the hearing on **HB2593 - establishing the travel and tourism development supplemental revenue fund.**

Chairperson Allen opened the hearing on **HB2594 - sales tax exemption for movie and television production companies.**

CONTINUATION SHEET

MINUTES OF THE HOUSE TOURISM COMMITTEE, Room 522-S-S Statehouse, at 1:30 p.m. on January 29, 1997.

Mark Burenheide, Legislative Research, gave a brief history of **HB2594**. Mark explained last year \$220,000 was placed in the appropriations bill, for a movie tax rebate program. It gave Commerce and Housing the ability to draft rules and regulations so that KDOCH could control who would be receiving the monies. It would be given to people producing TV commercials, shows, movie productions, etc. Alternatively, **HB2594** creates a tax exemption for sales taxes on companies filming in the state for movies, commercials, etc.

Lt. Governor Gary Sherrer/Secretary of KDOCH, stated that incentives in some form for the film industry give a good return for the state. However, he does not support a flat sales tax exemption as contained in **HB 2594**.

Representative Doug Spangler recognized by Chairperson Allen appeared in support of **HB 2594**. Rep. Spangler stated film production companies coming to Kansas are good for the Kansas economy and have a sustaining effect (**Attachment 3**)

Chairperson Allen recognized Carol Duffy McDowell, proponent of **HB 2594** who appeared before the committee on behalf of the Advisory Board to the Kansas Film Commission (**Attachment 4**)

**Rep. Wempe moved to introduce a bill to fund the tourism fund with the first 5 million after the 50 million goes into the EDIF fund. A second by Rep. Palmer, the motion carries.**

The Chair adjourned the meeting at 2:50 p.m.

The next meeting is scheduled for February 2, 1998.



January 22, 1998

**To:** Special Committee on Tourism

**From:** Mark Burenheide, Fiscal Analyst

**Re:** Estimate on Establishment of Travel and Tourism Development  
Supplemental Revenue for H.B. 2593

H.B. <sup>2593</sup>2594 would create a fund for the division of travel and tourism development for the performance of the powers and duties of the division. The fund would be financed from State General Fund sales tax receipts based on the amount of state sales taxes collected from sales of tourist-oriented goods and services. Tourist-oriented goods and services are defined using the Standard Industrial Classification (SIC) reporting system and include all sales of:

- meals and drinks furnished at any private club, drinking establishment, catered event, restaurant, eating house, dining car, hotel, or other place where meals or drinks are regularly sold to the public;
- room rentals at hotels as defined by K.S.A. 36-501; and
- sales of admissions to places providing amusement, entertainment, or recreation services.

A similar bill, S.B. 809 was submitted for consideration to the 1994 Legislature, but no action occurred.

H.B. 2593 would require a transfer of funds from the State General Fund to the new travel and tourism fund on August 1, of each year based on the following conditions:

- The sales taxes derived from the sale of tourist-oriented goods and services credited in the fiscal year two years prior to the fiscal year of transfer must be more than 3 percent of the sales taxes from the third fiscal year prior to the fiscal year of transfer. *in excess*
- If this condition is met, then half of the increase over 3 percent will be transferred to the travel and tourism fund, not to exceed \$1.5 million in any one fiscal year.

For example, a transfer would be made on August 1, 1998, which is in fiscal year 1999. The second and third fiscal years prior would be 1997 and 1996, respectively. If the state sales tax receipts for the tourist-oriented sales from FYs 1996-1997 increased by more than 3

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Attachment 1

percent, half of the increase over the 3 percent would be transferred into the newly created fund, not to exceed \$1.5 million.

### Fiscal Impact

H.B. 2593 would utilize the Standard Industrial Classification (SIC) reporting system for determining what is classified as Tourist-oriented goods and services. To date, the Department of Revenue has used Business Classifications. I have used those classifications to determine a Fiscal Impact. Again, the Department is moving away from the business classification reports to the Standard Industrial Classification (SIC) reporting system. This would result in more accurate identification of sales that are eligible under this proposal. Data is not currently available to make an estimate using SIC data.

Group	Business	Classification Number
Hotels	Motels and Hotels	7060
Eating and Drinking	Restaurants and Cafeterias	3060
	Lunch Rooms and Roadsides	3050
Admissions to Entertainment	Amusement Parks, Dances, and Theaters	9010
	Athletic Games and Tournaments	9020

The business classification report for the first two groups, hotels and eating and drinking, should be representative of the qualifying sales.

The third group, sales of admissions to places providing amusement, entertainment, or recreation services, causes the most concern in developing an estimate. Both of the business classes that are used in developing the estimate would include sales of food, drink, and merchandise in addition to any admissions charge which is assumed should not be included in determining the estimate. For instance, sales from movie theaters would include the cost of the admission ticket and any snacks or merchandise. Another example would be bowling centers where it is assumed that none of the sales tax collected would be applicable to this proposal but are included in the business classification report. If one assumes that the percentage of these ineligible sales within this classification stays constant, it has minimal impact in determining the amount available for distribution.

The worksheet provides the impact of the proposal. For FYs 1995-1997, the tourism and travel fund would have received the maximum amount of \$1.5 million each year. When the state sales tax rate change is taken into consideration for FY 1993, the fund would still have received the \$1 million. In FY 1998, it is estimated the fund will receive \$1,163,525. It is only for the FY 1999 distribution, to be made in August 1998, that the fund would not have received any money as the percent increase in the three groups did not exceed 3 percent from FYs 1996-1997.

**Tourism Estimate**

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	<u>Restaurants, Lunch Rooms, and Roadsides</u>	<u>Hotels and Motels</u>	<u>Admission, Amusements, and Recreation</u>	<u>Total</u>	<u>General Fund Amount</u>	<u>3 Percent Growth Factor</u>
FY 1992	\$ 66,462,348	\$ 10,913,950	\$ 14,709,764	\$ 92,086,062	\$ 87,389,673	\$ 2,621,690
FY 1993	78,846,795	12,967,693	18,755,954	110,570,442	104,931,349	3,147,940
FY 1994	87,344,163	14,058,233	22,441,902	123,844,298	117,528,239	3,525,847
FY 1995	95,756,749	14,920,056	21,907,175	132,583,980	125,822,197	3,774,666
FY 1996	102,526,866	15,331,702	21,155,038	139,013,606	131,923,912	3,957,717
FY 1997	106,220,976	15,908,810	20,328,809	142,458,595	135,193,207	4,055,796

**Compute the Difference Between Second and Third Prior Year**

<u>Distribution Date</u>	<u>Fiscal Year</u>	<u>Second and Third Fiscal Years</u>	<u>Difference</u>	<u>Per Cent Growth</u>	<u>Excess of 3 Percent</u>	<u>Half of Excess</u>	<u>Amount to Distribute</u>
August 1, 1994	1995	1992-93	\$ 17,541,677	20.07%	\$ 14,919,986	\$ 7,459,993	\$ 1,500,000
August 1, 1995	1996	1993-94	12,596,889	12.00	9,448,949	4,724,474	1,500,000
August 1, 1996	1997	1994-95	8,293,958	7.06	4,768,111	2,384,056	1,500,000
August 1, 1997	1998	1995-96	6,101,715	4.85	2,327,049	1,163,525	1,163,525
August 1, 1998	1999	1996-97	3,269,295	2.48			

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## Major Group 58.—EATING AND DRINKING PLACES

### *The Major Group as a Whole*

This major group includes retail establishments selling prepared foods and drinks for consumption on the premises; and also lunch counters and refreshment stands selling prepared foods and drinks for immediate consumption. Restaurants, lunch counters, and drinking places operated as a subordinate service facility by other establishments are not included in this industry, unless they are operated as leased departments by outside operators. Thus, restaurants and lunch counters operated by hotels are classified in Services, Major Group 70; those operated by department stores in Major Group 53. Bars and restaurants owned by and operated for members of civic, social, and fraternal associations only are classified in Industry 8641. Mobile food and dairy wagons are classified in Industry 5963.

Industry Group No.	Industry No.
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### 581 EATING AND DRINKING PLACES

#### 5812 Eating Places

Establishments primarily engaged in the retail sale of prepared food and drinks for on-premise or immediate consumption. Caterers and industrial and institutional food service establishments are also included in this industry.

Automats (eating places)	Hamburger stands
Beaneries	Hot dog (frankfurter) stands
Box lunch stands	Ice cream stands
Buffets (eating places)	Industrial feeding
Cafes	Lunch bars
Cafeterias	Lunch counters
Carry-out restaurants	Luncheonettes
Caterers	Lunchrooms
Coffee shops	Oyster bars
Commissary restaurants	Pizza parlors
Concession stands, prepared food (e.g., in airports and sports arenas)	Pizzerias
Contract feeding	Refreshment stands
Dairy bars	Restaurants
Diners (eating places)	Restaurants, carry-out
Dining rooms	Restaurants, fast food
Dinner theaters	Sandwich bars or shops
Drive-in restaurants	Snack shops
Fast food restaurants	Soda fountains
Food bars	Soft drink stands
Food service, institutional	Submarine sandwich shops
Frozen custard stands	Tea rooms
Grills (eating places)	Theaters, dinner

#### 5813 Drinking Places (Alcoholic Beverages)

Establishments primarily engaged in the retail sale of alcoholic drinks, such as beer, ale, wine, and liquor, for consumption on the premises. The sale of food frequently accounts for a substantial portion of the receipts of these establishments.

Bars (alcoholic beverage drinking places)	Cocktail lounges
Beer gardens (drinking places)	Discotheques, alcoholic beverage
Beer parlors (tap rooms)	Drinking places, alcoholic beverages
Beer taverns	Night clubs
Beer, wine, and liquors: sale for on- premise consumption	Saloons (drinking places)
Bottle clubs (drinking places)	Tap rooms (drinking places)
Cabarets	Taverns (drinking places)
	Wine bars

## Major Group 70.—HOTELS, ROOMING HOUSES, CAMPS, AND OTHER LODGING PLACES

### *The Major Group as a Whole*

This major group includes commercial and noncommercial establishments engaged in furnishing lodging, or lodging and meals, and camping space and camping facilities.

Industry Group No.	Industry No.
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#### 701 HOTELS AND MOTELS

##### 7011 Hotels and Motels

Commercial establishments, known to the public as hotels, motor hotels, motels, or tourist courts, primarily engaged in providing lodging, or lodging and meals, for the general public. Hotels which are operated by membership organizations and open to the general public are included in this industry. Hotels operated by organizations for their members only are classified in Industry 7041. Apartment hotels are classified in Real Estate, Industry 6513; rooming and boarding houses are classified in Industry 7021; and sporting and recreational camps are classified in Industry 7032.

Auto courts  
Bed and breakfast inns  
Cabins and cottages  
Casino hotels  
Hostels  
Hotels, except residential  
Inns, furnishing food and lodging

Motels  
Recreational hotels  
Resort hotels  
Seasonal hotels  
Ski lodges and resorts  
Tourist cabins  
Tourist courts

#### 702

#### ROOMING AND BOARDING HOUSES

##### 7021 Rooming and Boarding Houses

Establishments primarily engaged in renting rooms, with or without board, on a fee basis. Rental of apartments, apartment hotels, and other housing units are classified in Real Estate, Industry Group 651. Rooming and boarding houses operated by membership organizations for their members only are classified in Industry 7041. Homes for the aged, for children, and for the handicapped that also provide additional services, other than nursing care, are classified in Industry 8361, and homes that provide nursing care are classified in Industry Group 805.

Boarding houses, except organization  
Dormitories, commercially operated  
Lodging houses, except organization

Rental of furnished rooms  
Rooming houses, except organization

#### 703

#### CAMPS AND RECREATIONAL VEHICLE PARKS

##### 7032 Sporting and Recreational Camps

Establishments primarily engaged in operating sporting and recreational camps, such as boys' and girls' camps, and fishing and hunting camps. Establishments primarily engaged in operating sports instructional camps, such as baseball, basketball, football, or karate camps, and those operating day camps are classified in Industry 7999.

Boys' camps  
Camps, sporting and recreational  
Dude ranches  
Fishing camps  
Girls' camps

Hunting camps  
Nudist camps  
Summer camps, except day and sports instructional

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Industry  
Group  
No.

Industry  
No.

703

**CAMPS AND RECREATIONAL VEHICLE PARKS—Con.**

**7033 Recreational Vehicle Parks and Campsites**

Establishments primarily engaged in providing overnight or short-term sites for recreational vehicles, trailers, campers, or tents. Establishments primarily engaged in operating residential trailer parks are classified in Real Estate, Industry 6515.

Campgrounds  
Campsites for transients

Recreational vehicle parks  
Trailer parks for transients

704

**ORGANIZATION HOTELS AND LODGING HOUSES, ON MEMBERSHIP BASIS**

**7041 Organization Hotels and Lodging Houses, on Membership Basis**

Lodging houses and hotels operated by membership organizations for the benefit of their constituents, and not open to the general public. Commercial hotels operated by such organizations are classified in Industry 7011 and commercial rooming and boarding houses are classified in Industry 7021. Residential homes for the aged and handicapped are classified in Industry 8361.

Boarding houses operated by organizations for members only  
Boarding houses, fraternity and sorority  
Fraternity residential houses  
Hotels operated by organizations for members only  
Lodging houses operated by organizations for members only

Residence clubs operated by organizations for members only  
Rooming houses operated by organizations for members only  
Rooming houses, fraternity and sorority  
Sorority residential houses

## Major Group 79.—AMUSEMENT AND RECREATION SERVICES

### *The Major Group as a Whole*

This major group includes establishments engaged in providing amusement or entertainment services, not elsewhere classified. Establishments primarily engaged in operating motion picture theaters are classified in Industry Group 783, and those operating museums, art galleries, arboreta, and botanical and zoological gardens are classified in Major Group 84.

Industry Group No.	Industry No.
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#### 791 DANCE STUDIOS, SCHOOLS, AND HALLS

##### 7911 Dance Studios, Schools, and Halls

Establishments primarily engaged in operating dance studios, schools, and public dance halls or ballrooms. Establishments primarily engaged in renting facilities used as dance halls or ballrooms are classified in Real Estate, Industry 6512.

Ballroom operation  
Children's dancing schools  
Dance hall operation  
Dance instructors

Dance studios and schools  
Discotheques, except those serving alcoholic beverages  
Professional dancing schools

792

#### THEATRICAL PRODUCERS (EXCEPT MOTION PICTURE), BANDS, ORCHESTRAS, AND ENTERTAINERS

##### 7922 Theatrical Producers (Except Motion Picture) and Miscellaneous Theatrical Services

Establishments primarily engaged in providing live theatrical presentations, such as road companies and summer theaters. This industry also includes services allied with theatrical presentations, such as casting agencies; booking agencies for plays, artists, and concerts; scenery, lighting, and other equipment services; and theatrical ticket agencies. Also included in this industry are producers of live and taped radio programs and commercials and producers of live television programs. Establishments primarily engaged in the production of taped television programs and commercials are classified in Industry 7812. Theaters which are normally rented to theatrical producers and stock companies are classified in Real Estate, Industry 6512. Motion picture theaters and motion picture service industries are classified in Major Group 78. Establishments primarily engaged in operating dinner theaters are classified in Retail Trade, Industry 5812.

Agents or managers for entertainers  
Agents, talent: theatrical  
Ballet production  
Booking agencies, theatrical: except motion picture  
Burlesque companies  
Casting agencies, theatrical: except motion picture  
Community theater productions  
Concert management service  
Costume design, theatrical  
Employment agencies: theatrical, radio, and television—except motion picture  
Legitimate theater producers  
Opera companies  
Performing arts center productions  
Plays (road companies and stock companies)  
Radio programs, including commercials: producers of

Rental of theatrical scenery  
Repertory or stock companies, theatrical  
Road companies, theatrical  
Scenery design, theatrical  
Stock companies, theatrical  
Summer theaters, except dinner theaters  
Television programs (including commercials): live  
Theatrical companies  
Theatrical equipment rental  
Theatrical lighting on a contract basis  
Theatrical production, except motion picture  
Theatrical ticket agencies  
Vaudeville companies

Industry  
Group  
No.      Industry  
No.

792      **THEATRICAL PRODUCERS (EXCEPT MOTION PICTURE), BANDS,  
ORCHESTRAS, AND ENTERTAINERS—Con.**

7929      **Bands, Orchestras, Actors, and Other Entertainers and Entertainment  
Groups**

Establishments primarily engaged in providing entertainment other than live theatrical presentations. These establishments include bands, orchestras, and entertainers.

Actors	Jazz music groups or artists
Actresses	Magicians
Classical music groups or artists	Musicians
Concert artists	Orchestras
Dance bands	Performing artists
Drum and bugle corps (drill teams)	Popular music groups or artists
Entertainers	Symphony orchestras
Entertainment groups	

793      **BOWLING CENTERS**

7933      **Bowling Centers**

Establishments known to the public as bowling centers or lanes. Such establishments frequently sell meals and refreshments.

Bowling centers	Duck pin centers
Candle pin centers	Ten pin centers

794      **COMMERCIAL SPORTS**

7941      **Professional Sports Clubs and Promoters**

Establishments primarily engaged in operating and promoting professional and semiprofessional athletic clubs; promoting athletic events, including amateur; and managing individual professional athletes. Stadiums and athletic fields are included only if the operator is actually engaged in the promotion of athletic events. Establishments primarily engaged in operating stadiums and athletic fields are classified in Real Estate, Industry Group 651. Amateur sports and athletic clubs are classified in Industry Group 799.

Arenas, boxing and wrestling (sports promotion): professional	Managers of individual professional athletes
Athletic field operation (sports promotion)	Professional or semiprofessional sports clubs
Baseball clubs, professional or semiprofessional	Promoters, sports events
Basketball clubs, professional or semiprofessional	Soccer clubs, professional or semiprofessional
Football clubs, professional or semiprofessional	Sports field operation (sports promotion)
Ice hockey clubs, professional or semiprofessional	Sports promotion: baseball, football, boxing, etc.
	Stadiums (sports promotion)

7948      **Racing, Including Track Operation**

Promoters and participants in racing activities, including racetrack operators, operators of racing stables, jockeys, racehorse trainers, and race car owners and operators.

Dog racing	Racetrack operation: e.g., horse, dog, auto
Dragstrip operation	Racing stables, operation of
Horses, race: training	Speedway operation
Horses, racing of	Stock car racing
Jockeys, horseracing	Training racehorses
Motorcycle racing	
Race car drivers and owners	

Industry  
Group  
No.  
799

Industry  
No.

## MISCELLANEOUS AMUSEMENT AND RECREATION SERVICES

### 7991 Physical Fitness Facilities

Establishments primarily engaged in operating reducing and other health clubs, spas, and similar facilities featuring exercise and other active physical fitness conditioning, whether or not on a membership basis. Also included in this industry are establishments providing aerobic dance and exercise classes. Sports and recreation clubs are classified in Industry 7997 if operated on a membership basis, and in Industries 7992 or 7999 if open to the general public. Health resorts and spas providing lodging are classified in Major Group 70. Establishments that promote physical fitness through diet control are classified in Industry 7299.

Aerobic dance and exercise classes  
Clubs, health  
Exercise salons  
Fitness salons  
Gymnasiums  
Physical fitness centers

Reducing facilities, physical fitness,  
without lodging  
Slenderizing salons  
Spas, health fitness: except resort  
lodges

### 7992 Public Golf Courses

Establishments primarily engaged in the operation of golf courses open to the general public on a contract or fee basis. Membership golf and country clubs are classified in Industry 7997. Miniature golf courses and golf driving ranges are classified in Industry 7999.

Golf clubs, nonmembership

Golf courses, public: operation of

### 7993 Coin-Operated Amusement Devices

Establishments primarily engaged in operating coin-operated amusement devices, either in their own or in other places of business. Such amusement devices include juke boxes, pinball machines, mechanical games, slot machines, and similar types of amusement equipment. Amusement (including video game) arcades and parlors are also included in this industry.

Amusement device parlors, coin-operated  
Amusement machines, coin-operated:  
operation of  
Arcades, amusement  
Gambling establishments primarily operating  
coin-operated machines  
Gambling machines, coin-operated:  
operation of

Juke boxes, operation of  
Mechanical games, coin-operated:  
operation of  
Music distribution systems, coin-operated  
Pinball machines, operation of  
Slot machines, operation of  
Video game arcades

### 7996 Amusement Parks

Establishments of the type known as amusement parks and kiddie parks which group together and operate in whole or in part a number of attractions, such as mechanical rides, amusement devices, refreshment stands, and picnic grounds. Amusement concessionaires operating within the park are generally classified in Industry 7999.

Amusement centers and parks (not  
fairs, circuses, or carnivals)  
Amusement parks

Kiddie parks  
Piers, amusement  
Theme parks, amusement

### 7997 Membership Sports and Recreation Clubs

Sports and recreation clubs which are restricted to use by members and their guests. Country, golf, tennis, yacht, and amateur sports and recreation

Industry  
Group  
No.Industry  
No.

799

**MISCELLANEOUS AMUSEMENT AND RECREATION SERVICES—Con.****7997 Membership Sports and Recreation Clubs—Con.**

clubs are included in this industry. Physical fitness facilities are classified in Industry 7991.

Aviation clubs, membership  
Baseball clubs, except professional and semiprofessional  
Bathing beaches, membership  
Beach clubs, membership  
Boating clubs, membership  
Bowling leagues or teams, except professional and semiprofessional  
Bridge clubs, membership  
Clubs, membership: sports and recreation, except physical fitness  
Country clubs, membership  
Flying fields maintained by aviation clubs  
Football clubs, except professional and semiprofessional  
Golf clubs, membership

Gun clubs, membership  
Handball clubs, membership  
Hockey clubs, except professional and semiprofessional  
Hunt clubs, membership  
Racquetball clubs, membership  
Recreation and sports clubs, membership: except physical fitness  
Riding clubs, membership  
Shooting clubs, membership  
Soccer clubs, except professional and semiprofessional  
Sports and recreation clubs, membership: except physical fitness  
Swimming clubs, membership  
Tennis clubs, membership  
Yacht clubs, membership

**7999 Amusement and Recreation Services, Not Elsewhere Classified**

Establishments primarily engaged in the operation of sports, amusement, and recreation services, not elsewhere classified, such as bathing beaches, swimming pools, riding academies and schools, carnival operation, exposition operation, horse shows, picnic grounds operation, rental of rowboats and canoes, and shooting galleries. Establishments primarily engaged in showing or handling animals at shows or exhibitions are classified in Agricultural Services, Industry Group 075.

Aerial tramways, amusement or scenic  
Amusement concessions  
Amusement rides  
Animal shows in circuses, fairs, and carnivals  
Archery ranges, operation of  
Astrologers  
Baseball instruction schools  
Basketball instruction schools  
Bath houses, independently operated  
Bathing beaches, public  
Betting information services  
Billiard parlors  
Bingo parlors  
Boat rental, pleasure  
Boats, party fishing: operation of  
Bookies  
Bookmakers, race  
Bowling instruction  
Bridge clubs, nonmembership  
Bridge instruction  
Cable lifts, amusement or scenic: operated separately from lodges  
Canoe rental  
Card rooms  
Carnival operation  
Cave operation  
Circus companies  
Concession operators, amusement devices and rides  
Day camps  
Exhibition operation  
Exposition operation  
Fairs, agricultural: operation of  
Fireworks display service  
Fishing piers and lakes, operation of

Fortune tellers  
Gambling establishments not primarily operating coin-operated machines  
Gambling machines, except coin-operated: operation of  
Game parlors, except coin-operated  
Games, teaching of  
Gocart raceway operation  
Gocart rentals  
Golf courses, miniature: operation of  
Golf driving ranges  
Golf professionals not operating retail stores  
Golf, pitch-n-putt  
Gymnastics instruction  
Handball courts, except membership clubs  
Horse shows  
Houseboat rentals  
Hunting guides  
Ice skating rink operation  
Judo instruction  
Karate instruction  
Lifeguard service  
Lotteries, operation of  
Lottery clubs and ticket sales to individuals  
Moped rental  
Motorcycle rental  
Natural wonders, tourist attraction: commercial  
Observation tower operation  
Off-track betting  
Pack trains for amusement  
Parachute training for pleasure  
Phrenologists

Industry  
Group  
No.  
799

Industry  
No.

MISCELLANEOUS AMUSEMENT AND RECREATION SERVICES—Con.

7999 Amusement and Recreation Services, Not Elsewhere Classified—Con.

Picnic grounds operation  
Ping pong parlors  
Pool parlors  
Racquetball courts, except membership clubs  
Rental of beach chairs and accessories  
Rental of bicycles  
Rental of golf carts  
Rental of rowboats and canoes  
Rental of saddle horses  
Riding academies and schools  
Riding stables  
River rafting, operation of  
Rodeo animal rental  
Rodeos, operation of  
Roller skating rink operation  
Scenic railroads for amusement  
Schools and camps, sports instructional  
Scuba and skin diving instruction  
Shooting galleries  
Shooting ranges, operation of  
Skating instruction, ice or roller  
Skeet shooting facilities, except membership clubs  
Ski instruction  
Ski lifts, cable lifts, and ski tows operated separately from lodges

Ski rental concessions  
Slot-car racetracks  
Sporting goods rental  
Sports instructors, professional: golf, skiing, swimming, etc.  
Sports professionals  
Swimming instruction  
Swimming pools, except membership  
Tennis clubs, nonmembership  
Tennis courts, outdoor and indoor: operation of, nonmembership  
Tennis professionals  
Ticket sales offices for sporting events, contract  
Tourist attractions, natural wonder: commercial  
Tourist guides  
Trampoline operation  
Trapshooting facilities, except membership clubs  
Waterslides, operation of  
Wave pools, operation of  
Wax figure exhibitions  
Yoga instruction

## Major Group 84.—MUSEUMS, ART GALLERIES, AND BOTANICAL AND ZOOLOGICAL GARDENS

### *The Major Group as a Whole*

This major group includes museums, art galleries, arboreta, and botanical and zoological gardens. These establishments are often of historical, educational, or cultural interest.

Industry Group No.	Industry No.
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841	<b>MUSEUMS AND ART GALLERIES</b>
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8412	<b>Museums and Art Galleries</b>
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Establishments primarily engaged in the operation of museums and art galleries. Art galleries and dealers primarily engaged in selling to the general public are classified in Retail Trade, Industries 5932 and 5999.

Art galleries, not primarily selling  
Museums

Planetaria

842	<b>ARBORETA AND BOTANICAL OR ZOOLOGICAL GARDENS</b>
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8422	<b>Arboreta and Botanical or Zoological Gardens</b>
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Establishments primarily engaged in the operation of arboreta and of botanical or zoological gardens and exhibits.

Animal exhibits  
Aquariums  
Arboreta

Botanical gardens  
Reptile exhibits  
Zoological gardens

## STATEMENT

**DATE:** January 29, 1998

**TO:** House Committee on Tourism

**FROM:** Dick Carter, Director  
Governmental Affairs

**RE:** HB-2593

Madam Chairwoman and members of the committee, I am Dick Carter, Director of Governmental Affairs for the Travel Industry Association of Kansas (TIAK). TIAK is structured on a model of the Travel Industry Association of America. Membership includes convention and visitors bureaus, chambers, hotels and motels, attractions, regional promotional organizations, and businesses who service tourists and tourism promotion. Our ranks also include a variety of representatives from state agencies who are involved in the tourism industry in one way or another.

Last year when the Legislature appointed a Committee on Tourism in the House and a Transportation and Tourism Committee in the Senate, TIAK agreed with the Secretary of Commerce that the first priority should be the development of a strategic plan for tourism. We are pleased that you have been presented a preliminary report by Doug Young and that you are considering this funding bill in response to your interim study and his recommendation. Briefly, we wanted to tell you how the report and recommendations are viewed by the industry.

Let me start by saying how impressed we have been with the consultants who conducted this study. It has been Doug Young who has been the lead in conducting the surveys, presenting the findings and fine-tuning the recommendations. Doug's background is impressive. He has a BA from the University of Toronto, an MA in Politics and Economics from Oxford; and a Master of Business Administration from the Harvard Graduate School of Business Administration. He has been investment banker with Lehman Brothers in New York and financial advisor to such companies as Polaroid, USAir, Chase Manhattan and Swedish Export Credit Corporation. Prior to founding Young Nichols and Gilstrap, Doug was

House Tourism  
01-29-98  
Attachment 2



President of Sunbelt Holdings, Inc., a Phoenix-based European-owned investment company controlling approximately \$200 million in assets.

Doug is a hands-on consultant. He came to Kansas several times. He put together an intensive survey. He met with groups of us all over the state and made numerous phone calls when face to face was not possible. He listened and he questioned. He seemed to inhale every morsel of information we offered. He even dug into old reports and told us where we may have gone wrong in their analysis.

We've always known that we have pass-through traffic. Some states spend millions just getting people to come to their state. We have visitors handed to us on an I-70 and I-35 platter. For that reason, we've put most of our leisure marketing resources into that pass-through market. This study suggests that the pass-through market is actually low-value and may be the cause of our weakness in the market share of leisure travel spending. We believe this 'market share' approach is how we must look at our future tourism development and marketing.

You may have read in a newspaper; or seen or heard a clip on the six o'clock news about the tourism report; and that we're going to build a "Heroes Hall of Fame". I've even heard that it's going to be in Abilene. Well that sounds glamorous and sexy, and certainly gutsy, for a consultant to come up with a real-life scenario that isn't just theory. But what we really need to focus on in this report is that we're talking about building a sustainable competitive advantage in order to capture our market share of the business and leisure travel spending in this country.

We are not talking about building mountains, digging the Grand Canyon, or competing with Florida and California to be the number one destination in America. We are simply talking about bringing our market share of dollars up to our market share of visitors. At \$262.5 each year for each 0.1 % increase in our market share, it IS worth our while to strategize.

Within the tourism industry, specifically within TIAK, we have already begun to build strategic alliances for marketing and many of us have been working niche markets for years. So these recommendations do not seem at all out of line for us. As a result of this study, confirming what many of us believe, TIAK will continue to grow our cooperative marketing programs and to build niche market coalitions. We will look to the State Travel Office to cooperate in these programs and coalitions. \*

We agree that an independent attraction needs to be developed. Maybe that will be the 'Hall of American Heroes.' Maybe it will be something else. It will take a lot of dollars to build the kind of attraction we envision. Where that money comes from will obviously dictate the tactical decisions.

We have met with Secretary Sherrer and we are pleased that he also sees the value in this report. He told us he envisions adding a staff position in the division of travel and tourism who would have the responsibility of assisting communities in tourism development. This would be similar to the highly successful Main Street program. We agreed that as well as keeping the vision of an independent attraction, we need to do everything possible to build up the attractions we have.

Secretary Sherrer has been actively involved in the negotiations with the International Speedway Corporation to bring an ISC racetrack to Wyandotte County. He has already committed \$6 million to this project. He believes this new attraction will be of benefit to the entire state. For the most part, we in TIAK are marketers. We understand the need for development but that is not where our expertise lies. It is very gratifying for us to see the State take a leadership role in tourism development.

In summary, we are pleased with the study and pleased with the response from the Division of Travel & Tourism. We believe Doug's objective, business-like analysis can keep us focused for years to come on major strategies for tourism development and marketing.

Toward that end, we believe this is the year for the Kansas Legislature to take bold steps to support the effort for Kansas to reach their market share of leisure and business travelers. We need \$50,000 for a feasibility study to continue the vision of an independent attraction. We need \$1 million added to the budget of the Division of Travel & Tourism for development and marketing this year. We also need to plan for future years to increase the investment that will bring us a better return.

SB-2593 establishes a funding mechanism that could establish a standard by which that investment could be increased. We like the concept of using the SIC codes to measure growth in tourism income. We must tell you, however, that TIAK members have always been concerned about requesting funds from the State General Fund because of the needs of Education, Transportation and SRS which must be funded by the SGF.

Tourism IS economic development. Our position has always been that tourism development and marketing should be a higher priority in economic development funding. But how funds are allocated is ultimately your decision as a Legislature. Our responsibility is simply to express to you our support for funding which can bring Kansas up to our market share of visitor dollars. If you believe this is the best mechanism for that effort, we wholeheartedly support this bill.

HB 2594

Doubt Spragler - Comments

**Kansas Department of Commerce & Housing  
Status on Motion Picture and Television Production Sales Tax Reimbursement  
Thursday, January 29, 1998**

As of this date, we have not made any sales tax reimbursement. However, a New York based feature film production company, Good Machine, is currently in pre-production in Kansas City for director Ang Lee's next film, *To Live On*. Mr. Lee previously directed *The Ice Storm* and *Sense and Sensibility*. The film is a civil war fictional drama based on actual events in Kansas and Missouri in the 1860s. The producer, Bob Colesberry, has requested the entire FY98 allocation of \$220,000. It remains to be seen if the film will qualify for the entire amount.

The budget of the film (reported in *The Hollywood Reporter* and *Daily Variety*) is in the 30 to 40 million dollar range. Typically, thirty-eight percent of a film's budget goes to sales taxable items. Based on past experience with films based in Kansas City that have filmed extensively on both sides of the state line, the estimate for Kansas state sales tax to be reimbursed to this company could be \$186,200. We will not have actual numbers until May (1st report) and July (wrap up report).

There are at least three other films actively pursuing Kansas as a location for this year. One romantic comedy feature film, *Tease Me*, directed by Kansas native Alex Graves is fully funded, has scouted the state and plans to film here this spring. Our best estimate for state sales tax for this project is over \$65,000.

The other possible films to shoot in Kansas this year include a historical television movie produced by a filmmaker that has already shot on location in Kansas and the third installment of the *Sarah, Plain and Tall* series (starring Glenn Close and Christopher Walken). The state sales tax to be rebated for these films could be an additional \$65,000.

A fourth project, a feature film that the film commission office scouted extensively earlier in the year, which has been on hold, has currently been reinstated to active status. The exact timing of each of these films is uncertain.

Vickie Henley - Ks Film Comm

House Tourism  
01-29-98  
Attachment 3

*Draft*

**AFCI CINEPOSIUM '97 - ABOVE & BEYOND**  
Beyond the Bottom Line... Creating Tax Incentives



**STATE TAX INCENTIVES**

COMPILED BY

**ANGELA HOYT**

**MOTION PICTURE ASSOCIATION OF AMERICA, INC.**



*House Tourism*  
*01-29-98*  
*Attachment 4*

STATE	TAX INCENTIVES
Alabama:	Exemption: No sales tax for hotel accommodations after 30 days. Some local option tax exemptions exist on hotel rooms after 60 days.
Alaska:	No state sales tax.
Arizona:	<p>Rebate: 50% of sales and use tax paid for purchase or lease of tangible personal property if producers spend over \$1 million in Arizona filming movies for theaters, TV, video, industrial or educational films commercial advertising. A second threshold of expenditures of \$250,000 applies to television commercial or advertising in commercials aired in two minutes or less.</p> <p>Exemption: No retail sales tax on machinery and equipment used primarily at sound stages constructed between July 1, 1996 and January 1, 2002.</p> <p>No state tax on lodging after 30 days.</p>
Arkansas:	Refund: 100% of gross receipts and use tax imposed on the purchase of property and services including lodging in connection with production costs. To qualify, a production company must spend at least \$500,000 within six months or \$1 million within 12 months in connection with the production. Effective 3/25/97.
California:	<p>Exemption: No sales or use tax on production or post production services on a motion picture or TV film. No sales and use tax on services generally. Such industry specific services include writing, acting, directing, casting and story boarding.</p> <p>Special exemption for contractual use of studio facilities. No sales and use tax on 45% of the rental charges for sets, including labor to design, construct and strike and no sales tax on the full charge for the rental of personal property.</p> <p>No state hotel tax on occupancy, however cities or counties that impose a local tax have a tax exemption for occupancies in excess of 30 days.</p>
Colorado:	Exemption: No sales and use tax on film company services if, in fact, the company is providing a service and not tangible personal property.

<b>Connecticut:</b>	Exemption: No Sales and use tax on the lease, use storage or other consumption of motion picture, video production or sound recording equipment for use in the state for production activities that become an ingredient of any motion picture, audio tape or recording produced for commercial entertainment. Effective July 1, 1997.
<b>Delaware:</b>	No state sales tax.
<b>Florida:</b>	<p>Refund: Sales and use tax for the purchase or lease of motion picture, video or other equipment (depreciable equipment with a useful life of at least three years) if used exclusively as an integral part of production activities in the preparation of motion pictures, tapes, master tapes, TV or productions produced for commercial use or sale.</p> <p>Fabrication labor is not taxable if a producer of a qualified motion picture, is using his/her own equipment and personnel. Repair of motion picture equipment is exempt from tax if the equipment is used exclusively by the producer as an integral part of production activities.</p>
<b>Hawaii:</b>	Credit: In June, 1997 a law established an income tax credit up to 4%, which is deductible from net income tax liability, of the costs incurred in the state in the production of motion picture and television films, and up to 6% for costs incurred in the state for actual expenditures for transient accommodations. If the tax credit exceeds the income tax liability, the excess will be refunded to the taxpayer.
<b>Illinois:</b>	<p>Exemption: No sales and use tax on the purchase of products of photoprocessing produced for use in motion pictures for public commercial exhibition.</p> <p>After 30 consecutive days, the 14.9% hotel tax is reimbursed.</p>
<b>Kentucky:</b>	Refund: Sales and use tax refund for purchases made by a motion picture production company in connection with filming in Kentucky if the company films or produces one or more motion picture(s) in the state during any 12-month period.
<b>Louisiana:</b>	Refund: State sales and use tax refund on purchases made in connection with filming or production if purchases exceed \$1 million or more in a 12 month period

Louisiana: (continued)	After 30 consecutive days, the 14.9% hotel tax is reimbursed.
Maine:	Occupancy taxes are rebated after 27 consecutive days spent in hotels.
Minnesota:	Partial Reimbursement: A 1997 law included an annual appropriation of \$500,000 for two years, for payments to producers for a portion of services and wages paid for in-state production jobs up to a maximum of \$100,000 per film. Producers shooting on or after January 1, 1997 are eligible to apply for funds.
Montana:	No state sales tax.  After 30 days, the 4% accommodation tax is waived for hotel patrons.
New Hampshire:	No state sales tax.
New Mexico:	No state sales tax on all production costs.  After 30 days, the 4% lodgers tax is waived for hotel patrons.
New York:	Exemption: Comprehensive State and New York City sales and use tax exemption for machinery, equipment and services used in production and post production activities in the production of feature length films, television programs, music videos and commercials. Film and television production is given the same exemptions as manufacturing.  In particular jurisdictions, after a certain amount of days, hotel tax is exempt.
North Carolina:	Reduced sales and use tax: 1% sales tax cap for sales and rentals to motion picture production firms of cameras, films, set construction materials, as well as chemicals and equipment used to develop and edit film that is used to produce release prints. Full exemption for the purchase of film that becomes a component part of release prints sold or leased.

<p><b>North Carolina:</b> (continued)</p>	<p>Chemicals used to develop release prints for sale or lease are also exempt.</p> <p>Exemption: A 1997 law eliminated the sales tax imposed on audiovisual master tapes made or used in production.</p>
<p><b>Oklahoma:</b></p>	<p>Refund: 100% sales and use tax refund on sales of tangible, personal property or services to a motion picture or television production company to be used or consumed in connection with an eligible production. An "eligible production" is defined as a TV pilot or on-going series televised on a network or a feature-length motion picture intended for theatrical release.</p> <p>State sales tax rebate on hotels after 30 days.</p>
<p><b>Oregon:</b></p>	<p>No state sales tax.</p>
<p><b>Pennsylvania:</b></p>	<p>Exemption: A 1997 law granted a 6% sales and use tax exemption for the purchase or rental of any tangible personal property in Pennsylvania used directly in the production of a feature length commercial motion picture. The exemption covers props, sets, supplies, tools, production and post production services including processing, editing, etc.</p>
<p><b>South Carolina:</b></p>	<p>Exemption: No sales and use tax on supplies, technical equipment, machinery and electricity sold to motion picture companies for use in filming or producing motion pictures.</p>
<p><b>Tennessee:</b></p>	<p>Refund: 100% sales and use tax refund for out-of-state motion picture companies for goods and services purchased or rented in Tennessee if the company spends at least \$500,000 within a 12 month period.</p>
<p><b>Texas:</b></p>	<p>Exemption: No sales and use tax for purchased or rented equipment used in the production of a motion picture or a video recording for ultimate sale, license or broadcast. Considers motion picture production a manufacturing process. Expendable items are tax free.</p>
<p><b>Utah:</b></p>	<p>Transient occupancy tax rebate after 30 days.</p>



<b>Virginia:</b>	Exemption: No sales and use tax for production services or fabrication in connection with the production of any portion of exempt audio/visual work, feature or made-for-TV films, programs, documentaries, commercials, etc. Also, tangible personal property including scripts, artwork, supplies, equipment and accessories.
<b>Washington:</b>	Exemption: No sales and use tax for the purchase or rental of production equipment and services used in motion picture or video production or post production.  No tax paid on hotel rooms occupied for one month or more.
<b>Wyoming:</b>	Rebate: A 1997 law provided for sales and use tax rebate for purchases made in the state in connection with the filming or production in the state if the total purchases exceed \$500,000 (valid until 6/30/99).  No tax paid on hotel rooms occupied for one month or more.



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4-7

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