

Approved: February 23, 1999
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

The meeting was called to order by Chairperson David Adkins at 9:00 a.m. on February 3, 1999 in Room 519-S of the Capitol.

All members were present except: Rep. Johnston - excused

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor of Statutes
Shirley Sicilian, Department of Revenue
Mary Shaw, Committee Secretary

Conferees appearing before the committee:

Mary Ellen O'Brien Wright, Assistive Technology for Kansas
Carol Hands-Keedy, Kansas Association for the Blind and Visually Impaired
Sharon Huffman, Commission on Disability Concerns, Dept. of Human Res.
Brenda Eddy, Telecommunication Access Program
Craig Kaberline, Kansas Council on Developmental Disabilities (written)
Bonni Pennie, Families Together, Inc. (written)
Gina McDonald, Kansas Association for Independent Living (written)
Michael Byington, Envision (written)
Sherry Diel, Kansas Advocacy & Protective Services, Inc (written).
Shannon Jones, Statewide Independent Living Council of Kansas (written)
Patrick Terick, Cerebral Palsy Research Foundation of Kansas, Inc. (written)
Representative Peggy Palmer
Natalie Bright, Kansas Chamber of Commerce and Industry (written)
Joyce Volmut, Kansas Association for the Medically Underserved
David Allison, Associated General Contractors of Kansas
Gus Rau Meyer, Builders Association &: Kansas City Chapter of Assoc. Gen. Contr.
Dave Burk, Marketplace Properties
Jim Kaup, City of Topeka
Hal Hudson, National Federation of Independent Business
Bernie Koch, Wichita Chamber of Commerce
Jerry Cole, Small Business Owner
Art Brown, Mid American Lumbermen's Association
Myron Cramer, US Const. Inc, & Member, Greater K.C. Chamber of Commerce (written)
Frances Kastner, Kansas Food Dealers Association (written)
Mike Taylor, City of Wichita (written)
G. Eugene Troehler, Overland Park Chamber of Commerce (written)
Ronda Barry, Kansas Downtown Developmental Association (written)
Janet Stubbs, Kansas Building Industry Association, Inc. (written)

Others attending: See attached list.

The Chairman opened the public hearing on:

HB 2132 - Sales tax exemption for assistive technology devise

The Fiscal Note for **HB 2132** was distributed (Attachment 1).

Proponents:

The Chairman introduced Mary Ellen Wright, Proponent, Assistive Technology for Kansans (Attachment 2).

The Chairman introduced Carol Hands-Keedy, Proponent, Kansas Association for the Blind and Visually Impaired, Inc. (Attachment 3).

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, Room 519-S Statehouse, at 9:00 a.m. on February 3, 1999.

The Chairman introduced Sharon Huffman, Proponent, Legislative Liaison, Commission on Disability Concerns, State Department of Human Resources (Attachment 4).

The Chairman introduced Brenda Eddy, Proponent, Program Administrator for Telecommunications Access Program (Attachment 5).

Written testimony:

Craig Kaberline, Proponent, Kansas Council on Developmental Disabilities, submitted written testimony (Attachment 6).

Bonni Pennie, Proponent, Families Together, Inc., submitted written testimony (Attachment 7).

Gina McDonald, Proponent, Kansas Association of Centers for Independent Living, submitted written testimony (Attachment 8).

Michael Byington, Proponent, Director of Envision Governmental Affairs Office, submitted written testimony (Attachment 9).

Sherry C. Diel, Proponent, Deputy Director, Kansas Advocacy & Protective Services, Inc., submitted written testimony (Attachment 10).

Shannon Jones, Proponent, Statewide Independent Living Council of Kansas, submitted written testimony (Attachment 11).

Pat Terick, Proponent, Director of Governmental Activities for the Cerebral Palsy Research Foundation, submitted written testimony (Attachment 12).

The Chairman closed the public hearing on **HB 2132**.

The Chairman opened the public hearing on:

HB 2048 - Sales tax exemption for disaster purchases

The Fiscal Note for **HB 2048** was distributed (Attachment 13).

Proponents:

The Chairman introduced Representative Palmer, Proponent, and sponsor of the bill (Attachment 14).

Written testimony:

Natalie Bright, Proponent, Director of Taxation, Kansas Chamber of Commerce & Industry, submitted written testimony (Attachment 15).

The Chairman closed the public hearing on **HB 2048**.

The Chairman opened the public hearing on:

HB 2099 - Sales tax exemption for purchases of certain medical clinics and centers

The Fiscal Note for **HB 2099** was distributed (Attachment 16).

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, Room 519-S Statehouse, at 9:00 a.m. on February 3, 1999.

Shirley Sicilian, Director of Policy and Research, Kansas Department of Revenue, distributed a letter from the Kansas Department of Revenue addressed to Mr. Duane Goossen, Director, Division of Budget regarding **HB 2099** (Attachment 17).

Proponents:

The Chairman introduced Joyce Volmut, Proponent, Executive Director - State Primary Care Association, Kansas Association for the Medically Underserved (Attachment 18).

The Chairman closed the public hearing on **HB 2099**.

The Chairman opened the public hearing on:

HB 2059 - Sales tax exemption for remodeling labor services on buildings and facilities

The Fiscal Note for **HB 2059** was distributed (Attachment 19).

Proponents:

The Chairman introduced Natalie Bright, Proponent, Director of Taxation, Kansas Chamber of Commerce and Industry (Attachment 20).

The Chairman introduced David Allison, Proponent, CPA and Board Member of the Associated General Contractors of Kansas, Inc. (Attachment 21).

The Chairman introduced Gus Rau Meyer, Proponent, President of Rau Construction Company, Overland Park area (Attachment 22).

The Chairman introduced Dave Burk, Proponent, Owner, Marketplace Properties, LLC (Attachment 23). Mr. Burk noted a suggested amendment on page 2 of his testimony.

The Chairman introduced Jim Kaup, Proponent, presented testimony on behalf of Mayor Joan Wagon, City of Topeka (Attachment 24).

The Chairman introduced Hal Hudson, Proponent, State Director Kansas Chapter, National Federation of Independent Business (Attachment 25).

The Chairman introduced Bernie Koch, Proponent, Wichita Area Chamber of Commerce (Attachment 26).

The Chairman introduced Jerry Cole, Proponent, presented testimony from his wife and business partner, Joan Cole, Wichita City Council Member and small business owner (Attachment 27).

The Chairman introduced Art Brown, Proponent, Mid-America Lumbermens Association (Attachment 28).

Written testimony:

Myron S. Cramer, Proponent, President, United States Construction, Inc., submitted written testimony (Attachment 29).

Frances Kastner, Proponent, Director of Governmental Affairs, Kansas Food Dealers Association, submitted written testimony (Attachment 30).

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, Room 519-S Statehouse, at 9:00 a.m. on February 3, 1999.

Mike Taylor, Proponent, Governmental Relations Director, City of Wichita, submitted written testimony (Attachment 31).

G. Eugene Troehler, Proponent, Chairman, State/Federal Affairs Task Force, Overland Park Chamber of Commerce, submitted written testimony (Attachment 32).

Ronda Barry, Proponent, President of the Kansas Downtown Development Association, submitted written testimony (Attachment 33).

Janet Stubbs, Proponent, Executive Director of the Kansas Building Industry Association, submitted written testimony (Attachment 34).

The Chairman called the committee's attention to discussion of:

HB 2048 - Sales tax exemption for disaster purchases

The Chairman recognized Representative Palmer who made a motion, and seconded by Representative Gregory, to adopt the balloon amendment. Motion carried.

The Chairman recognized Representative Palmer who made a motion, and seconded by Representative Gilbert, to pass **HB 2048** favorable as amended. Motion carried.

The Chairman called the committee's attention to discussion of:

HB 2059 - Sales tax exemption for remodeling labor services on buildings and facilities

The Chairman recognized Don Hayward, Revisor, who requested a clean-up amendment to **HB 2059** on page 4, line 25, to move the phrase "live or" after the first "customarily".

The Chairman recognized Representative Gregory who made a conceptual motion, and seconded by Representative Osborne, to make the technical changes to **HB 2059** as suggested by the Revisor. Motion carried.

The Chairman recognized Representative Edmonds who explained that he had received a letter from Russell Carswell, Treasurer of the Great Bend Optomist Club and explained that their primary fund-raising for children in the community is their sale of Christmas trees. Their proceeds are used exclusively for charitable projects of that sort under KSA 79-3606 is an exempt activity.

Representative Edmonds made a motion, and seconded by Representative Howell, to add to **HB 2059** for non-profit organizations sales tax exemption such as the Optomists selling Christmas trees. Representative Edmonds closed. Motion carried.

Representative Edmonds made a motion, and seconded by Representative Howell, to pass **HB 2059** favorable as amended. Motion carried.

The Chairman called the committee's attention to discussion of:

HB 2099 - Sales tax exemption for assistive technology devise

The Chairman recognized Representative Kirk who made a motion, and seconded by Representative Campbell, to report **HB 2099** favorably.

The Chairman recognized Representative Kirk who made a motion, and seconded by Representative Campbell, to amend **HB 2099** to include renovation and remodeling sales tax used in the construction or expansion of these facilities. Motion carried.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, Room 519-S Statehouse, at 9:00 a.m. on February 3, 1999.

The Chairman recognized Representative Edmonds who made a motion, and seconded by Representative Osborne, to amend the assistive technology provisions incorporated in **HB 2132** into **HB 2099**. Motion carried.

The Chairman recognized Representative Kirk who made a motion and seconded by Representative Edmonds, to pass **HB 2099** favorably as amended. Motion carried.

The meeting adjourned at 10: 35 a.m.

The next meeting is scheduled for February 4, 1999.

HOUSE TAXATION COMMITTEE
GUEST LIST

DATE: Feb. 3, 1999

Brenda Eddy	Telecomm. Access Program
Bucky Gadsch	DEAF Expression, Inc.
George Welch	Barbee & Assoc.
Linda Hall	Assistive Technology for Kansans
Maria Liss	Sedgewick County
Cowle Hands Keedy	KABVI
Mary Ellen O'Brien Wright	Assis. Tech. for Kansans
Joyce Valmet	KS Assoc. Medically Underinsured
Jacyn Solder	Hein & Wein Child
Michelle McLerran	Leadership Leavenworth Lansing
Evelyn D. Lange	Leadership Leavenworth Lansing
Wm. Pitzer	Ks Taxpayers Network
Larry Kleeman	League of Kansas Municipalities
Chuck Biedahl	Adjutant General's Dept.
Rich McKee	KS Livestock Assoc.
Bill Jurese	BOEING
Barbara Schreda	St Vincent / Diocese of Leavenworth Leadership
Carolyn Jeffries	TILRC
Bonnie Pennie	Families Together, Inc.

HOUSE TAXATION COMMITTEE
GUEST LIST

DATE: Feb. 3, 1999

Wartka Jim Smith	ILMHA
Jim Kemp	City of Topeka
Mark Deway	Leadership Leavenworth-Lansing
Wayne Semien	L L L
Roger Moore	L L L
Colette Hernandez	TILRC
Roger Trautle	RGC
Erik Sartorius	Johnson Co. Board of Realtors
SCOTT SCHNEIDER	McCall, Granger & Assoc.
Ashley Sherard	Overland Park Chamber
Bernie Koch	Wichita Area Chamber
Bill Sneed	Univ. of Ks. Hosp. Auth.
Gus Meyer	Rau Construction
DAN MORGAN	Builders Assn. of KC/AGC
DOUG FIREBAUGH	FIREBAUGH CONSTRUCTION, INC.
David Allison	Braunsdorf, Carlson & Clinkinbeard, CPAs, LLC
Kelly Kuitala	City of Overland Park
Hal Hudson	NFIB/Kansas
Tom Slattery	Assoc General Contractors of Ks.

STATE OF KANSAS



DIVISION OF THE BUDGET

Room 152-E

State Capitol Building

Topeka, Kansas 66612-1575

(785) 296-2436

FAX (785) 296-0231

Bill Graves
Governor

Duane A. Goossen
Director

February 3, 1999

The Honorable David Adkins, Chairperson
House Committee on Taxation
Statehouse, Room 448-N
Topeka, Kansas 66612

Dear Representative Adkins:

SUBJECT: Fiscal Note for HB 2132 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2132 is respectfully submitted to your committee.

HB 2132 would expand sales tax exemptions for assistive technology purchases for individuals with physical or mental disabilities. Items included in the proposed exemption are both manual and powered wheelchairs, stairway lifts, Braille equipment, items which enhance hearing and/or seeing ability, home respiratory equipment, hospital beds, ambulatory aids, scooters, and items used solely to modify motor vehicles for use by the disabled.

HB 2132 would decrease state revenues. Information has been requested from the Kansas Department of Revenue. However, that information is not yet available. Once information is received, a revised fiscal note will be provided.

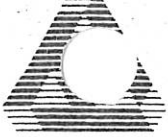
Sincerely,

A handwritten signature in cursive script that reads "Duane A. Goossen".

Duane A. Goossen
Director of the Budget

cc: Lynn Robinson, Department of Revenue

HOUSE TAXATION
2-3-99
Attachment 1



**Testimony before the House Committee on Taxation
Regarding House Bill 2132
Mary Ellen O'Brien Wright
Assistive Technology for Kansans
February 3, 1999**

I am Mary Ellen O'Brien Wright and I work with Assistive Technology for Kansans. Our primary mission is to ensure that children and adults with disabilities in Kansas have access to assistive technology and related services. Assistive technology is any piece of equipment used to maintain, improve or increase a person's independence. We ensure access in a number of ways, including five regional access sites which provide direct services; an equipment loan program from which people can borrow equipment or "try before they buy"; an annual statewide conference and other educational activities; and a funding and policy component in which we identify barriers that keep people from obtaining needed assistive technology, and attempt to eliminate those barriers.

I am here today in support of House Bill 2132, which would exempt certain types of assistive technology from sales tax. Many Kansans with disabilities struggle to develop and/or maintain their productivity. They can often be helped in their efforts through the use of one or more types of assistive technology. Much assistive technology is not expensive. Some items, however, are costly and this cost can prove a barrier to obtaining needed equipment. People with disabilities tend to be under or unemployed. Purchase of such items can prove a hardship for individuals who typically have limited incomes. Even a middle class family can find the cost of some assistive technology daunting. Sales tax, added to the price of needed equipment, creates an additional barrier.

Kansas has already gone a long way to eliminating this barrier by exempting assistive technology prescribed by a physician from sales tax. Some items not typically prescribed by a physician, such as print enlargers, Braille writers and reading devices, and telecommunications devices are not exempt. Some mobility-related items such as stair lifts are also not covered. This equipment is not a merely a convenience, but allow increased access and independence. Eliminating sales tax on these items will assist people with disabilities in purchasing equipment that permits them to access everyday life activities.

It was brought to my attention that this bill does not include environmental control units; equipment used to permit an individual with a disability to "control" his/her environment. These devices may be very simple, for example allowing someone to

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turn on the television or answer the telephone without moving or using his/her hands, to more complex, such as contacting someone for assistance, locking doors, operating emergency alarms, etc. If possible, we recommend that this equipment be included in House Bill 2132 as well.

A number of disability related organizations support this bill, including Envision, Families Together, the Kansas Association of Centers for Independent Living, the Kansas Council On Developmental Disabilities, the Kansas Commission On Disability Concerns and the Statewide Independent Living Council of Kansas. In the interest of time they are not planning to testify today, however have submitted written testimony in support of the bill.

House Bill 2132 would help reduce the cost of assistive technology required by people with disabilities to participate in everyday life activities. We would appreciate your support of this bill. Thank you for your time and consideration.



**Kansas Association for the Blind
and Visually Impaired, Inc.**

AN AFFILIATE
OF THE
AMERICAN COUNCIL
OF THE BLIND

TO: HOUSE TAXATION COMMITTEE

FROM: Carole Hands-Keedy

SUBJECT: HB 2132

We are in support of this legislation. I personally support it as well.

It is an unfortunate fact that many people who are visually impaired are not making that much money. This is true in part because of the high rate of unemployment among people of working age who are legally or totally blind (74% according to 1990 Census data), and it is true in part because, even among blind and low vision people who are employed, often wages are not

Post Office Box 292

/

Topeka, Kansas 66601

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all that high. Many people who are legally or totally blind, even when work is available, end up working at jobs which are below their level of qualifications. These trends also apply in varying degrees to persons who have other types of disabilities as well.

The sales tax is a good exemption to offer, because it impacts people regardless of how much money they make. The savings of sales tax on a large dollar item, however, is very significant for someone who has a low income.

The equipment may be necessary for the person with a disability, whether they are employed or not. An electronic reading machine or Braille related device may be necessary for some to simply continue to complete daily living tasks independently. This can include, reading recipes, cooking instructions, reading

prescription bottles and medical instructions, handling mail, dealing with bills, etc.

These are expenditures that people without disabilities can avoid making. It does not make sense for those with disabilities to have to spend sales tax for needed items in order to perform independent functions, as well as having to purchase the items themselves.

A positive thing about the proposed wording in HB 2132 is that it does indeed cover items which allow the performance of independent function. This is the case whether the items are attached to the user's person or not. Current law only exempts a few specific items, and most of these have to be attached to one's body.

Under current law, if I were to lose the

very small amount of vision I have remaining, and were to have my eyes removed, and replaced with prosthetic eyes, then these prosthetic devices would be tax exempt. Currently, a machine, which allows me to read is something on which I would have to pay sales tax. There is no logic to this.

To offer a personal example, I must use a closed circuit television magnification device (CCTV) in order to read most print. The State Division of Services for the Blind bought my first unit for me so I could go back to school, but now that I have my college degree, and am looking for a job, I will not be eligible to get another unit from them if I am working. I expect to be working soon, and as my CCTV is now several years old, I expect to have to replace it shortly after I begin working. A new unit will cost me around \$3,000.00.

The roughly \$200.00 I would save in sales tax would be a big help. This money could be applied to other adaptive equipment I might need, such as Zoomtext software for my computer.

If I spend even more money, devices exist which would allow me to read a menu on the wall at a fast food establishment or read prices in the grocery store. Most of you take doing these things for granted, as well you should. I can have access to these functions of life as well, but doing each of these functions is likely to cost me at least several hundred dollars for equipment, which is not covered by any insurance, and which you do not have to have. I am asking for at least a tax break to make such acquisitions a little easier. It still will not make things equal in terms of the way we spend our money, but it will help.

STATE OF KANSAS
DEPARTMENT OF HUMAN RESOURCES



Bill Graves, Governor

Wayne L. Franklin, Secretary

COMMISSION ON DISABILITY CONCERNS

1430 S.W. Topeka Boulevard, Topeka, Kansas 66612-1877

Voice: (785) 296-1722 • TTY: (785) 296-5044 • Fax: (785) 296-0466

Toll Free: (Outside Topeka) 1-800-295-5232

February 3, 1999

TO: House Committee on Taxation

FROM: Sharon Huffman
Legislative Liaison

SUBJECT: House Bill 2132

Mr. Chair, members of the Committee, thank you for providing this opportunity for us to present our views regarding a very important issue in the State of Kansas.

The Kansas Commission on Disability Concerns (KCDC) was established by law nearly 50 years ago to carry on a continuing program to promote a higher quality of life for people with disabilities. One of our responsibilities is to submit recommendations to the legislature believed necessary to promote the independence of people with disabilities.

KCDC urges your support of House Bill 2132. The sales tax exemptions proposed in this bill will make the high cost of the items listed just a little easier to afford. These pieces of equipment are things necessary for a person to remain independent. Some are even necessary to keep a person out of the hospital or institution, which we all know costs more than living at home.

Please show your support for helping Kansans with disabilities remain independent by supporting the passage of this bill.

Thank you.

Our Mission: To provide quality employment services in an efficient manner which exceeds customer expectations.

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ATTACHMENT 4

Testimony before the House Committee on Taxation

February 3, 1999

Presented by Brenda Eddy

Good Morning Mr. Chair and Members of the Committee:

My name is Brenda Eddy and my interpreter today is Becky Yadrich. I will be voicing for myself but will let Becky convey any questions you may have in sign language. I thank you for the valuable time you are giving me and I thank the interpreter for bridging the communication gap between us.

I am the program administrator for a new program in Kansas called the Telecommunications Access Program (TAP). TAP was implemented in March of 1997 as a result of the state Telecommunications Act of 1996. The program was established through an order by the Kansas Corporation Commission and is funded through the Kansas Universal Service Fund. The purpose of the program is to provide vouchers to Kansans with disabilities so they can acquire the specialized telephone equipment they need to access basic telephone services in their homes. Prior to this program, many folks with disabilities had to spend hundreds or even thousands of dollars to purchase specialized telephones. This program levels the playing field so that equipment costs are not a factor for these people in obtaining basic phone services. To date, we have helped over 2,300 individuals across the state. People are very appreciative of this program and have expressed their thanks in many letters, calls, and e-mails.

I am speaking in support of HB 2132, specifically the section which exempts assistive technology from state sales tax. This bill will help Kansas businesses that are competing against out-of-state businesses for the TAP equipment sales. Currently, TAP has approximately 60 vendors who have agreed to redeem TAP vouchers for equipment. The way the program works is that each piece of equipment is designated a certain amount of money based on average

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retail costs. The TAP voucher recipient does not have to use the total voucher amount but they can't spend over or they pay the additional amount themselves. The TAP customer gives their voucher to the business in exchange for equipment. The vendor sends the voucher (with the equipment total) back to us for payment. Some of these vendors (about 38 percent) are out-of-state mail order businesses. I'm not complaining about the out-of-state vendors. They have provided a professional and valuable service to elderly or homebound individuals and this method of equipment delivery works well for them. However, equipment ordered through the mail is exempt from sales tax. This places an unfair disadvantage to Kansas businesses that must charge sales tax on the equipment they sell in Kansas. Many times the customer of a Kansas vendor ends up paying out of pocket because, with sales tax added in, it puts them over the voucher amount. Wiser shoppers have figured out that if they use mail-order catalogs, they can save money. I don't think this is a good incentive for keeping business in Kansas. Removing sales tax from assistive technology equipment would be a viable solution to this TAP problem but would also provide needed relief to families who are faced with expensive assistive technology costs.

Thank you again for your time. I am available for questions or can be reached at 785-234-0200.



Kansas Council on Developmental Disabilities

BILL GRAVES, Governor
DAVE HEDERSTEDT, Chairperson
JANE RHYS, Ph. D., Executive Director

Docking State Off. Bldg., Room 141, 915 Harrison
Topeka, KS 66612-1570
Phone (785) 296-2608, FAX (785) 296-2861

"To ensure the opportunity to make choices regarding participation in society and quality of life for individuals with developmental disabilities"

HOUSE TAXATION COMMITTEE

February 3, 1999

Testimony in Regard to House Bill No. 2132

I am Craig Kaberline and work for the Kansas Council on Developmental Disabilities. The Kansas Council on Developmental Disabilities is a federally mandated, federally funded council composed of individuals who are appointed by the Governor. At least half of the membership are persons with developmental disabilities or their immediate relatives. We also have representatives of the major agencies who provide services for individuals with developmental disabilities. Our mission is to advocate for individuals with developmental disabilities, to see that they have choices regarding their participation in society.

The Kansas Council on Developmental Disabilities is in total support of House Bill 2132, which would exempt certain types of assistive technology from sales tax. Many people who have disabilities or aging struggle daily to maintain or achieve greater independence. They can often be helped in this struggle by the use of assistive technology. Much assistive technology is not expensive. But many people with disabilities are either under or unemployed (70% unemployment for adults with severe disabilities, according to President's Task Force on Employment of Adults with Disabilities, November 15, 1998). For those with a limited income already, sales tax on assistive technology adds another barrier to purchasing the needed device.

The Kansas Legislature has already taken a step forward by exempting items prescribed by a physician from sales tax. There are many items that are needed by individuals that shouldn't require a prescription to be sales tax exempt. There are assistive devices that assist individuals in reading, and with mobility that are not exempt. This equipment is not a luxury, but allow people to maintain or increase independence within their community. Eliminating sales on these items will assist people with disabilities in purchasing equipment that permits them to access everyday life activities.

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We would appreciate your support of this bill. Thank you for your consideration.

Craig Kaberline
Grants Manager
Kansas Council on Developmental Disabilities
Docking State Office Building, Room 141
Topeka, KS 66612-1570
(785) 296-2608
email: kaberlne@midusa.net



Families Together, Inc.

Parent Training & Information Centers for Kansas

Home Page:
<http://www.kansas.net/~family>

Wichita Parent &
Administrative Center
3340 W Douglas, Suite 102
Wichita, KS 67203
Voice (316) 945-7747
1-888-815-6364
Fax (316) 945-7795
e-mail: fmin@feist.com

Topeka Parent Center
501 Jackson, Suite 400
Topeka, KS 66603
Voice/TDD (785) 233-4777
1-800-264-6343
Fax (785) 233-4787
e-mail: family@inlandnet.net

Garden City Parent Center
111 Grant
Garden City, KS 67846
Voice/TDD (316) 276-6364
1-888-820-6364
Español (316) 276-2380
Fax (316) 276-3488
e-mail: famtogether@gcnet.com

Kansas City Parent Center
6333 Long, Suite 230
Shawnee, KS 66216
Voice (913) 962-9657
Fax (913) 962-9690
e-mail: kcfam@kc.net

Statewide Spanish Parent Line
1-800-499-9443

Date: February 3, 1999
To: House Committee on Taxation
From: Bonni Pennie, Families Together, Inc.
Re: HB 2132 regarding exempting assistive
technology from sales tax

Families Together, Inc. serves Kansas parents and their sons and daughters with a disability. Parents are informed as to the availability of resources and services throughout the state and receive assistance in making maximum use of such services.

Assistive technology can often make a tremendous difference in a person's ability to obtain and keep employment, access community services, and live independently. We support HB 2132 including the changes recommended by Assistive Technology for Kansans regarding environmental controls. This will help make assistive technology devices more affordable and offer opportunities for increased independence for persons with disabilities.

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Assisting Parents and Their Sons and Daughters with Disabilities



Gina McDonald
Executive Director

Member Agencies:

**ILC of
Southcentral Kansas**
Wichita, KS
316/942-6300 Voice/TT

Independence, Inc.
Lawrence, KS
913/841-0333 Voice
913/841-1046 TT

Independent Connection
Salina, KS
913/827-9383 Voice/TT

LINK, Inc.
Hays, KS
913/625-6942 Voice/TT

The WHOLE PERSON, Inc.
Kansas City, MO
816/561-0304 Voice
816/531-7749 TT

**Topeka Independent
Living Resource Center**
Topeka, KS
913/233-4572 V/TT

**Southeast Kansas
Independent Living, Inc.**
Parsons, KS
316/421-5502 Voice
316/421-6551 TT

**Accessing Southwest
Kansas (ASK), Inc.**
Dodge City, KS
316/225-6070 Voice/TT
1-800/871-0297

Written Testimony Presented to the House Committee on Taxation
Regarding House Bill 2132
By Gina McDonald
February 3, 1999

I am Gina McDonald with the Kansas Association of Centers for Independent Living. The Kansas Association of Centers for Independent Living is an advocacy organization that promotes equal access for people with disabilities. I am submitting written testimony in favor of House Bill 2132. A sales tax exemption on assistive technology will alleviate the burden of purchasing items needed by citizens of Kansas with physical and mental disabilities.

People with disabilities often have low incomes and need the support this tax exemption would afford them. Kansas Association of Centers for Independent Living would appreciate if you would report this bill favorably out of committee

Choices & resources for people who are blind or low vision



EnvisionSM

PLEASE REPLY TO: Michael Byington, Director
Envision Governmental Affairs Office
924 S. Kansas Ave
Topeka, Kansas 66612
(785) 354-4747 (Topeka Office)
(785) 575-7477 (pager)
(785) 354-4646 (FAX)
***mbyingto@ink.org* or**
michael.byington@envisionus.com

January 3, 1999

TO: House Taxation Committee

SUBJECT: HB 2132

Envision supports this legislation. It will not be an end all solution to helping people who are disabled get the assistive technology they need, but it will help.

I will address the need for this Bill specifically as it relates to assistive technology used by people who are blind and visually impaired. The blind and visually impaired population will undoubtedly be one of the populations who will most heavily benefit from this legislation. This is because so very little of the assistive technology we use is funded through third party payment (private insurance, Medicare, Medicaid, etc. Vocational Rehabilitation/Kansas Division of Services for the Blind will occasionally fund some of the assistive technology used by people who are blind or low vision, but this only happens after a great deal of bureaucracy, and only if the funding of the equipment is likely to allow the person to get a job. In

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801 East Lincoln • Wichita, KS 67211
Tel 316.267.2244 • Fax 316.267.4312
Web <http://www.envisionus.com>

very rare incidents, such equipment can be provided through this funding source for independent living or homemaking purposes, but this happens very rarely. Vocational Rehabilitation/Kansas Division of Services for the Blind are, by no means, entitlement programs. MOST PEOPLE WHO ARE BLIND OR VISUALLY IMPAIRED, IF THEY ARE TO GET ANY OF THE ASSISTIVE TECHNOLOGY THEY NEED TO LIVE AND/OR WORK INDEPENDENTLY, GET IT THE OLD FASHIONED WAY. THEY EARN MONEY TO PAY FOR IT AND USUALLY GO INTO DEBT UP TO THEIR NOT SO FUNCTIONAL EYEBALLS IN ORDER TO DO SO.

If they do as described above, then they pay sales tax on the equipment. Much of the equipment I am referencing sells for prices which equal somewhere between the cost of a new car and a late model used one. There is quite a bit of tax on items of this magnitude.

I must wax partly personally in offering an example of the costs and savings involved. The other day I was going over my wife's and my personal finances. I was attempting to figure out why we were earning more money than we have ever earned in our lives, and yet are further in debt than we have ever been in our lives. Now you need to understand that my wife is totally blind and I am visually impaired. She requires assistive technology which reads printed materials to her, makes her computer talk, gives her tactile images of printed material, prints Braille, etc. I use some of the same things. I like to supplement the use of large print on my computer with speech output, and I use the scanning reading machine to read long documents as this greatly reduces my frequent and painful eye fatigue. Nonetheless, my primary media is enlarged print, and I have to own and maintain several devices which provide this accommodation. The assistive technology visual aids I mount to my face in order to see at all at distances (much more complex than standard eye glasses) costs nearly \$1,000.00 each time I must replace it. With all of this equipment, my wife and I are both able to hold jobs and pay taxes of all varieties. Without it, we would both probably be on Social Security Disability. We have paid cash for each of these devices, however, we have well over \$20,000.00 of our own earnings tied up in this type of equipment, AND WE HAVE PAID SALES TAX ON ALL OF IT!

At 6.5 percent average sales tax applied to \$20,000.00, that comes to \$1,300.00. Now you may ask, what is wrong with that picture. Why should

not we have to pay tax on the goods we buy just as everyone else does?

In most instances, we would agree that we should pay, but it must be pointed out that all of the expenses referenced here, let alone the added tax, are expenses which we would not experience at all if we did not have disabilities. They are the additional penalties we pay for the honor of working for a living just as others do. It is the penalty we pay for not being on the public dole.

In reading over HB 2132, the thing which most amazed me was how many sales tax exemptions already exist. There is more pork in current statutes on this issue than there is in a sausage factory. I know that the floodgate must close somewhere, but if you look at the pattern of exemptions, it certainly makes more sense to add the ones proposed by HB 2132 than it does to keep some of the ones which have already been granted.

It also strikes me as odd that, in current law, some assistive technology devices are exempted and others are not. HB 2132 makes the list more comprehensive, but it also makes it more logical. Many of the devices, in fact, which are currently exempted are quite often covered by third party payment sources, while none of the devices used by blind people with the exception of prosthetic eyes are covered. As far as prosthetic eyes are concerned, my wife is a user of this type of durable medical equipment. A prosthetic eye may make her more pleasant to look at, but it does not do a dadblasted thing to make it easier for her to look at anything. The types of devices which HB 2132 would exempt for blind and low vision people are devices which actually restore function, the ability to read, the ability to correspond, the ability to ambulate independently, etc. These are the things which allow us to be productive, tax paying citizens. It makes sense that they are thus also the types of things which should afford us a tax break.



KANSAS ADVOCACY & PROTECTIVE SERVICES, INC.

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3218 Kimball Ave.

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James Germer, Executive Director

Sherry Diel, Deputy Director

Tim Voth, Attorney

Kari Ramos, Advocate

Scott Letts, Deputy Director

Lori A. Davis, Attorney

Michelle Rola, CFO

Michelle Heydon, Advocate

Memo To: Chairman and Members of the House Taxation Committee
From: Sherry C. Diel, Deputy Director
RE: HB-2132--Sales Tax Exemption For Assistive Technology Devices
Date: February 3, 1999

What is Kansas Advocacy and Protective Services, Inc.?

Kansas Advocacy and Protective Services, Inc. ("KAPS") is a federally funded non-profit corporation. Our agency serves as the designated Protection and Agency for persons with disabilities in the state of Kansas. Each state and territory in the United States has a similar type of organization. Our role is to advocate for legal rights and services for persons with disabilities. Pursuant to federal law, KAPS has authority to pursue resolution of disputes through use of legal, administrative and other appropriate remedies. Because our funding is limited, KAPS utilizes priorities, developed as a result of public input, to advocate for systemic changes in the public and private sector to benefit Kansans with disabilities.

KAPS Position On HB-2132.

KAPS supports the proposed amendment to HB-2132. Assistive technology devices are essential for individuals with disabilities to live and work independently in the community. Oftentimes, private insurance will not pay for such devices. Consequently, either the individual with a disability pays for the device out of their own pocket or, in many cases, public funding (ie. the public school system, Vocational Rehabilitation or Medicaid) pays all or a portion of the cost of the equipment.

In general, persons with disabilities do not have the money to pay for such devices if public funding is not available.. They struggle to save enough money to purchase necessary assistive technology, oftentimes using their limited SSI or SSDI monies. The proposed tax exemption will ease the burden somewhat for those persons with disabilities who cannot access public funding sources to assist with the purchase of the assistive technology device.

Moreover, if public funding sources are utilized to purchase the assistive technology device, we merely have a cost shifting from the social services program to produce taxable

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2-3-99
Attachment 10*

Members of the House Taxation Committee

Page 2

February 3, 1999

revenue. Because public funding is limited, we believe those valuable dollars should go to serving persons with disabilities rather than transferring a portion to the state general fund as a revenue item.

KAPS respectfully requests the Committee consider the benefits that will be derived from the proposed tax exemption for assistive technology and recommend HB-2132 favorably for passage. Should you have any questions regarding KAPS' position, please do not hesitate to contact me at (785) 273-9661.

**Testimony Presented to House Committee on Taxation
Regarding HB 2132
by Shannon Jones
Statewide Independent Living Council of Kansas**

I am Shannon Jones with the Statewide Independent Living Council of Kansas (SILCK). The SILCK is mandated by federal law, the Rehabilitation Act of 1973 as amended to study existing services for people with disabilities and make recommendations to improve and expand services that will enable Kansans with disabilities to achieve their optimum level of independence and improve their quality of life.

The SILCK urges this committee to favorably pass HB2132, which would exempt certain types of assistive technology from sales tax. Often times people with severe limitations due to their disability need certain types of equipment to live and / or maintain employment. This equipment can sometimes be very costly to the individual. Eliminating the sales tax on items that assist people to maintain their independence removes a burden that often times prevents people from purchasing such equipment.

*HOUSE TAXATION
2-3-99
Attachment 11*



THE CEREBRAL PALSY RESEARCH FOUNDATION OF KANSAS, INC.

John F. Jonas, Jr.
 President and Founder
 Daniel M. Carney, Chair
 Deryl K. Schuster, Vice Chair
 Patrick J. Regan, Secretary & Counsel
 Danlol J. Taylor, Treasurer
 Joyce Smith, Assistant Secretary
 Michael C. Burrus

Thomas H. Kirk, I.
 Richard C. "Pete" Loux
 Linus C. Ohaebosim
 Carl S. Rohwer
 Donald D. Sbarra
 Robert E. Schmidt
 Kenneth J. Wagnon
 Thomas Devlin, Past Member

Testimony before the House Committee on Taxation
 Regarding House Bill 2132
 Patrick A. Terick
 Assistive Technology for Kansans
 February 3, 1999

Thank you Mr. Chairman, my name is Pat Terick, I am the Director of Governmental Activities for the Cerebral Palsy Research Foundation of Kansas (CPRFK) and Public Education Specialist for United Cerebral Palsy of Kansas (UCPK).

The Cerebral Palsy Research Foundation of Kansas and United Cerebral Palsy of Kansas are in support of House Bill 2132 which exempts certain types of assistive technology from sales tax.

Over the last decade we have seen how assistive technology has provided for greater independence to persons with disabilities. We also see that assistive technology is very expensive, items can cost anywhere from \$700.00 to \$20,000.00, many families and persons with disabilities have low incomes.

Our organizations have assisted families and persons with disabilities in obtaining assistive technology. We try to be creative in assisting their purchase of assistive technology. This will give families and consumers greater assistance in their purchase power by the elimination of sales tax on assistive technology.

The Cerebral Palsy Research Foundation of Kansas and United Cerebral Palsy of Kansas supports the passage of HB 2132.

Thank you Mr. Chairman and members of the taxation committee for supporting persons with disabilities.

Respectively submitted,

Patrick A. Terick
 Cerebral Palsy Research Foundation/United Cerebral Palsy
 5111 East 21st Street
 Wichita, KS 67208
 (316) 688-1888

HOUSE TAXATION
 2-3-99
 Attachment 12

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STATE OF KANSAS



DIVISION OF THE BUDGET

Room 152-E

State Capitol Building

Topeka, Kansas 66612-1575

(785) 296-2436

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Bill Graves
Governor

Duane A. Goossen
Director

February 2, 1999

The Honorable David Adkins, Chairperson
House Committee on Taxation
Statehouse, Room 448-N
Topeka, Kansas 66612

Dear Representative Adkins:

SUBJECT: Fiscal Note for HB 2048 by Representative Palmer, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2048 is respectfully submitted to your committee.

HB 2048 would allow a sales tax refund for any tangible personal property or service purchased between October 1, 1998, and July 1, 1999, which resulted from a major disaster. This bill defines a major disaster as one designated by the President of the United States. The claims would be subject to review by the Director of Taxation in the Department of Revenue.

Estimated State Fiscal Impact				
	FY 1999 SGF	FY 1999 All Funds	FY 2000 SGF	FY 2000 All Funds
Revenue	--	--	(\$1,420,000)	(\$1,500,000)
Expenditure	--	--	\$3,400	\$3,400
FTE Pos.	--	--	--	--

HB 2048 would reduce state revenues, but available data on which to base an estimate are limited. Given this limitation, the Department of Revenue estimates a reduction in state sales tax revenues of \$1.5 million in FY 2000, of which \$1.0 million would be issued in refunds. The distribution of the impact includes a \$1.42 million reduction to the State General Fund and an \$80,000 reduction to the State Highway Fund. It is estimated that the reduction to state revenues

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Attachment 13

The Honorable David Adkins, Chairperson
February 2, 1999
Page 2

in FY 2001 would total \$500,000. The Department's estimate is based on the assumption that HB 2048 applies only to weather-related disasters.

Additionally, HB 2048 would increase state expenditures by \$3,400 in FY 2000 to mail a notice to retailers. The cost to develop and print the notice is estimated at \$700, while mailing the notice would total \$2,700. Any fiscal impact associated with the passage of HB 2048 is not included in *The FY 2000 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Duane A. Goossen". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Duane A. Goossen
Director of the Budget

cc: Lynn Robinson, Revenue



AUGUSTA, KS

House Taxation

February 3, 1999



Testimony: HB 2048



District 77

Rep. Peggy Palmer

(785)296-7644

House Taxation

2-3-99

Attachment 14

The high cost of recovery

Augusta residents find federal aid alone isn't enough to rebuild lives after November's devastating flood



Randy Tobias/The Wichita Eagle

Jim Bakker sands drywall in the basement of his rented Augusta home as his family continues to recover from the early November flood.

By Steve Painter

The Wichita Eagle

AUGUSTA — How much does a flood cost? Ask the people on Money Avenue in Augusta.

Eight weeks after the White-water River topped the levee on the west side of town, forcing residents to scramble to higher ground, the harsh realities of recovering from a natural disaster are becoming clear.

It's a long, slow and painful process.

"Most people think, 'The water's gone; the flood's gone.' I wish that was the case," said resident Jim Bakker. "For us, it will never be over."

During the past seven weeks, residents of three homes in the 900 block of Money Avenue have shared with *The Wichita Eagle* their stories of the flood aftermath.

Bakker's family was the first on the block to move back home, living in a corner of the still-unfinished basement. Another family has been approved for loans to repair its home and replace furniture, appliances and other necessities. The third family has been turned down for a low-interest government loan and has filed for bankruptcy.

When disaster struck Augusta, Wichita, Arkansas City and other communities the first few days of November, Kansans stepped up to help with money, labor and places for the newly homeless to stay.

Relief agencies such as the American Red Cross and Salvation Army provided meals, shelter and emergency living assistance.

The federal and state governments moved in to distribute grants and loans.



Randy Tobias/The Wichita Eagle

Tyler Bakker, 4, gets comfortable in a makeshift closet in the basement of his family's home. 14-2

FLOOD

From Page 1A

For all of that, the residents of Money Avenue are grateful. But the reality is this: All of the help falls far short of healing the financial and emotional stress that has dominated the lives of more than 2,000 Kansans since Nov. 1.

The days after

Ten days after the flood, Money Avenue and the surrounding neighborhood resembled a war zone. Ten-foot-high piles of rubble lined the streets. Green Army National Guard trucks rumbled in and out, hauling away what were once the personal belongings of the people who lived in 600 flooded homes. Men in battle fatigues directed traffic at intersections.

Nelda and Jim Taylor, who salvaged only a bag of clothes, some handmade quilts from her mother, wedding pictures, Jim's guns and her kids' baby books, felt a sense of hopelessness. In addition to the expected mess inside their home — the saturated carpet and wallboard, the ruined appliances and furniture — their garage floor had sunk several inches and their home's foundation had cracked in two places.

The main wall through the center of the house was sagging. Cracks snaked across ceilings and walls. Nails poked through the ceiling as the floor above sagged under the extra weight. Doors wouldn't close.

"I wake up in the morning, and I can't hardly breathe because I'm so scared I'm going to lose this house, lose everything," Nelda Taylor said at the time.

The financial outlook was not promising, despite the fact that they have good jobs. He's a mechanic. She's the office manager at a Wichita food company.

But their debts were heavy. They bought the home a little over a year ago with an FHA loan. They owed \$56,500 on a home appraised at \$57,000. Recently, to consolidate debt, they took out a \$17,000 second mortgage.

They have payments to make on his truck and her car. And Nelda makes child-support payments for her two children from a previous marriage.

The initial estimate from a contractor they know: \$30,000 to repair the home, another \$15,000 to \$20,000 if the foundation has been damaged badly enough to need repair.

They retrieved the few personal belongings that were above the flood line but decided not to rip out carpet and wallboard until they had a better idea of whether they could save their house.

Since the flood, home is an apartment in Wichita, paid for by Nelda's boss, while they sort through the process of seeking aid from the Red Cross, the Salvation Army, the Federal Emergency Management Agency and the Small Business Administration.

Jim and Tarnie Bakker, meanwhile, were working at a tenuous pace. They rent their home and cut a deal with their landlord for several months of free rent in exchange for labor to fix up the house.

By this time, they had ripped out all the carpet and wallboard and hauled out the stuff from the rooms in the basement — including a \$4,000 entertainment center, two computers and all of the furniture, clothes and personal items from 11-year-old daughter Megan's bedroom.

Altogether, Jim Bakker estimated, they lost \$55,000 to \$65,000 worth of personal belongings.

"Now, everything we own could fit in the bed of my pickup," he said.

Two 5-foot-tall fans, one in the basement and one on the main floor, were running nonstop to dry out the home. Tarnie spent the first several days doing cleanup or waiting in line to fill out paperwork at the Red Cross and FEMA offices while Megan attended Augusta Middle School.

Jim spends days at his job as a mechanic at TNT Auto Group in Andover, then works until after midnight on the home. He says he doesn't need a lot of sleep but admits to nearly nodding off a time or two during the late-night drive back to the home of Tarnie's mother in southwest Wichita, where they stayed after the flood.

He also admits to a brief panic attack late one night. Using a hand-held sprayer to coat walls with bleach, he was nearly overcome by fumes. He managed to stumble out the front door and reach his pickup, where he lay in the bed for half an hour, knowing that no one was home on the deserted street to help him if he needed it.

Another neighbor, Cathy, a single mother who asked that her last name not be used, had salvaged only clothes and photo albums. She enlisted the help of friends to haul out ruined carpet, wallboard and belongings. She was determined to stay in her home for her 11-year-old daughter's sake, but she was wary of the financial prospects.

"I make good money, I can't deny that. But when you lose everything it's hard," she said.

Her job at Doering pays about \$30,000 a year, but she's suffered the fallout of working in a cyclical industry. This time around, she's been on the job for two years. Prior to that, a 3½-year layoff resulted in bankruptcy. The jobs she was able to find — at a prison, a school, a restaurant — weren't enough to pay the bills she accumulated at the higher pay scale.

All three families spent hours filling out the FEMA and SBA forms. They all got the standard amount of about \$1,150 in living assistance, which was intended to cover three months' rent in a two-bedroom apartment. Beyond that, their applications took different paths.

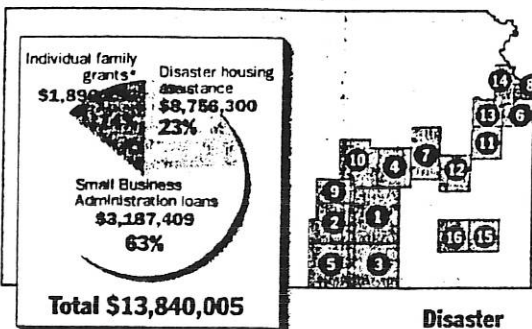
The bottom line

On Dec. 8, the Bakkers moved back home, missing Jim's self-imposed deadline by one week. The house wasn't ready, but they were.

"I know it doesn't look much like home right now, but at least

Disaster relief

The Federal Emergency Management Agency reported last week that more than \$1.3 billion worth of grants and low-interest loans had been approved for victims of fall flooding in Kansas. If you need assistance, you can register with FEMA by calling (800) 462-9029 on Monday, the deadline for registration. Here is a summary of where the money has gone:



County	Applicants	Disaster Housing Assistance
1 Butler	913	\$1,587,578
2 Sedgwick	454	\$754,080
3 Cowley	349	\$349,079
4 Chase	28	\$235,812
5 Sumner	70	\$73,227
6 Johnson	249	\$63,503
7 Lyon	37	\$41,287
8 Wyandotte	71	\$29,515
9 Harvey	19	\$14,045
10 Marion	14	\$10,412
11 Franklin	14	\$9,713
12 Coffee	12	\$9,175
13 Douglas	8	\$6,762
14 Leavenworth	10	\$2,417
15 Neosho	5	\$806
16 Wilson	2	\$0

*Grants to those unable to qualify for an SBA loan
Source: Federal Emergency Management Agency

The Wichita Eagle

we're here," Tarnie Bakker said.

The living quarters consisted of a corner of the basement where they have a couple of couches, a TV, a VCR, a microwave and a Christmas tree. They bought meals one at a time, from the IGA grocery store a few blocks away or from one of the fast-food places in town.

It's been rough, they said, especially for 4-year-old Tyler.

"His behavior's kinda been off the wall, doing things that he wouldn't normally do," Tarnie said.

This week, after the walls were finished and painted on the main floor, the Bakkers were waiting for carpet to be laid. They hoped to move upstairs sometime soon after Christmas.

The last time Tarnie checked, the Small Business Administration had not yet processed their loan application. They're anxious to find out what they might be eligible for, but they say it won't change their plans.

They're comfortable with their decision to move back in, although after a recent rain, Jim got nervous enough to go check the river.

Their family, they say, is stronger than ever. "If we can make it through this, we can make it through anything," Tarnie said.

Cathy is aiming to move in sometime in February. She's already received \$7,000 from FEMA to replace her furnace, insulation, cabinets and other items. That's money she won't have to pay back.

She doesn't pretend to fully understand the approval process. "I've seen some in worse shape than me that didn't get as much," she said.

She's also been approved for about \$24,000 in SBA loans, half for repairs and half for furniture and other contents. At an interest rate of 3.75 percent, she'll pay \$109 a month for the next 30 years, unless she pays the loan off early.

"It's not exactly what I wanted, but I can make it work. I have to make it work. I want to go home," she said.

She tries not to think about the planned cutbacks recently announced at Boeing, which could result in layoffs of 3,000 to 5,000 workers at the Wichita plant.

"If it happens, it happens," she said. "I'm a fighter. I don't give up, just keep going. If I have to work two or three jobs again to keep the house, I will."

Jim and Nelda Taylor learned recently they had been turned down for an SBA loan. That happens in about 40 percent of the cases.

The Taylors and others whose loan applications were denied can re-apply two more times over the next six months, if they can consolidate some debt or make other changes that would change their eligibility.

Nelda Taylor said that's not likely in their case. She and her husband had all but decided against accepting an SBA loan if it was offered, anyway. With the debt they already carry, she said, they couldn't justify borrowing a minimum of another \$30,000 above the value of their home.

"I guess it's better than a slap in the face. But by the same token, you have to use some sense. And sense tells you it's not the thing to do," Taylor said.

After several weeks of agonizing over the decision, they filed for Chapter 13 bankruptcy. The first payment to the bankruptcy trustee was deducted from Nelda's check this week. She gave up her dream of holding onto the house.

"It's a lost cause. I really feel that way," she said. "We need to get clean from this and get on down the road."

Steve Painter can be reached at spainter@wichitaeagle.com or at 363-4757.

Debt limit options for many hit by flooding

By Steve Painter and Nicole Koch
The Wichita Eagle

Victims of the November floods are finding that carrying a heavy debt sharply limits their options.

In short, those options are:

■ Even more debt, sometimes adding up to twice the value of their home.

■ Foreclosure, a serious black mark on their credit records.

■ Bankruptcy, the blackest credit mark of all.

About 40 percent of the applications to the Small Business Administration for disaster loans are rejected because the applicants can't make the payments, said David Talley, an SBA spokesman in Kansas City, Kan.

Those who are rejected for SBA loans are automatically referred to the individual and family grant program administered by the Kansas Division of Emergency Management.

The maximum grant amount available through that agency is \$13,900, said Joy Moser, public information officer.

The first step for victims who register with the Federal Emergency Management Agency is to determine income and family size, Talley said.

If income for their family size falls below a certain level, the applicant is referred to the state-administered grant program. For a family of four, that income level is \$20,500 a year.

All other applicants are referred to the SBA for loans.

Rocki O'Rourke, vice president of Factual Data of Kansas, a company that processes credit reports, said she can sympathize with flood victims who are reluctant to borrow heavily.

"Truthfully, it makes sense," she said. "I would not want to own a \$50,000 house and owe \$80,000."

Still, she said, it's in a homeowner's best interest to try to work something out with the lender who holds the mortgage. If nothing else, she said, it would demonstrate to future lenders that "you did what you could but couldn't overcome a natural disaster."

"Just go to the lender and say, 'Here is my problem, work with me,'" she said.

Simply walking away from the home and the loan is not advisable, said Dan Jones, regional lending manager for Capitol Federal Savings.

"From a lender's perspective, that would be the worst thing that a customer could choose to do," he said.

"Flooded-out homes are going to be worth a fraction of what they were when the person bought it," Jones said.

"Any of us would be facing those kinds of challenges if it happened to us. Still, it is a loan and a legal obligation to pay."

Talley said flood victims should not give up if SBA refuses their first application.

Potential grants from the state program or from FEMA could change loan eligibility, he said.

Or flood victims could find some way to restructure existing debt so that they qualify for an SBA loan.

For those who worry that they'll owe more on their home than they could ever sell it for, Talley had good news and bad news.

The good news: Under SBA rules, you can go ahead and sell your home for whatever it brings on the market.

The bad news: You take the SBA debt with you to the new home.

Before filing bankruptcy, Talley advises, "Don't presume that we're

PEGGY R. PALMER
REPRESENTATIVE, 77TH DISTRICT
BUTLER COUNTY

STATE OF KANSAS



HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
MEMBER: TAXATION
BUDGET COMMITTEE:
TAX, COMMERCE & TRANSPORTATION
GOVERNMENTAL ORGANIZATION & ELECTIONS
LOCAL GOVERNMENT

Legislative Testimony

TO: Chairman David Adkins and Members of the House Committee on Taxation

FROM: Peggy Palmer, State Representative, 77th District

DATE: February 3, 1999

SUBJECT: HB 2048 -- Exempts weather-related disaster victims from sales tax burden.

Mr. Chairman and Members of the Committee, thank you for the opportunity to come before you regarding an important piece of legislation, HB 2048. My name is Peggy Palmer, State Representative for the 77th District. Many of my constituents were victims of severe flooding in 1998. On behalf of the victims in my district, south-central Kansas and victims in northeastern Kansas, I am requesting passage of HB 2048.

The purpose of HB 2048 is to establish a tax policy regarding sales taxation in time of a federal weather-related disaster. The legislation provides relief to victims of the 1998 weather-related disasters and to future weather-related disaster victims. The bill exempts sales taxation for all victims; exempting sales of tangible personal property and services purchased for repair or replacement of property damaged or destroyed as a result of an event or occurrence that the President of the United States has declared to be a major disaster.

As you know, weather-related disasters occurred between October 1 and November 15, 1998, in northeast and south-central Kansas and brought devastation and destruction in a magnitude like few had witnessed before. The statistics are staggering; thousands of Kansas homes and hundreds of businesses were damaged and destroyed. The total damage is estimated at nearly \$40 million with thirty-one counties affected. (see attachments #1, #2)

In south-central Kansas, over 90% of the flooding and damage occurred in Wichita, Augusta, and Arkansas City. More than one-thousand-six-hundred (1600) homes were damaged or destroyed. The heaviest flood damage was in Butler County, and in my hometown of Augusta there were over 560 homes and 92 businesses flooded. 85% of these homes and businesses were completely destroyed. Another 10% sustained major damage. (see attached photos) According to Augusta city officials, only about 50 families have been able to move back into their homes, and many of the businesses did not re-open until after the first of this year.

14-4

My experience working with the victims of this disaster made me aware that even though there are 52 sales tax exemption statutes, including the Act of God statute, certain disaster victims must pay sales tax for disaster-related expenses. For example:

Current law for individuals -- Labor services for the restoration, reconstruction or replacement of a building or facility damaged or destroyed by flood are exempt from sales tax. However, this does not apply to materials or tangible personal property.
This legislation includes a sales tax exemption for all disaster related expenses.

Current law for non manufacturing Commercial Businesses - Labor services for the restoration, reconstruction or replacement of a building or facility damaged or destroyed by flood are exempt from sales tax. Replacement of equipment and materials for rebuilding are not sales tax exempt.
This bill gives a sales tax exemption for equipment and materials for non-manufacturing businesses such as restaurants, grocery stores, salons, motels and retail stores, etc.

Current law for Manufacturing Businesses- Machinery and Equipment - If the property is damaged by flood and subsequently replaced, then the equipment would be sales tax exempt. However, labor services to repair the equipment is not exempt under current law. The labor services are not exempt under the flood provision since the flood exemption is limited to services performed to repair buildings or facilities.
This bill includes a sales tax exemption for labor services to repair equipment.

The proposed legislation will be administered as follows:

For disaster victims, the sales tax paid on disaster-related expenses incurred after October 1, 1998, and prior to the effective date (after its publication in the Kansas register) shall be refunded. As stated in the bill, each claim for sales tax refunds shall be verified and submitted to the Director of Taxation on forms furnished by the Director and shall be accompanied by any additional documentation required by the Director. The Director shall review each claim and shall refund the amount of sales tax paid. All refunds shall be paid from the sales tax refund fund upon warrants of the Director of Accounts and Reports.

After July 1 1999, disaster victims will not pay sales tax for disaster-related expenses at the time of purchase. A sales tax exemption certificate will be provided to victims of national weather-related disasters occurring after the effective date of this bill.

Intent of proposed legislation:

The intent of this legislation is to improve tax policy in our state. Disaster victims can never be made whole, but it is my hope that this bill will help ease the burdens of all disaster victims in rebuilding their lives, now and in the future.

In addition, a balloon amendment has been added to HB 2048 at the request of the Department of Revenue. The balloon provides for the following: (1) clarifies that the beneficiaries of this legislation will be limited to those victims of "weather-related" disasters; (2) that the benefits will only flow to properties destroyed while in Kansas during a weather-related disaster; and (3) establishes cut-off dates for receiving exemptions or refunds. (See Balloon Attachments)

In closing, I would like to extend my appreciation to the seventy-five sponsoring legislators and to thank the committee for your interest in HB 2048, a bill to prevent the state from collecting tax revenues from our citizens for disaster-related expenditures.

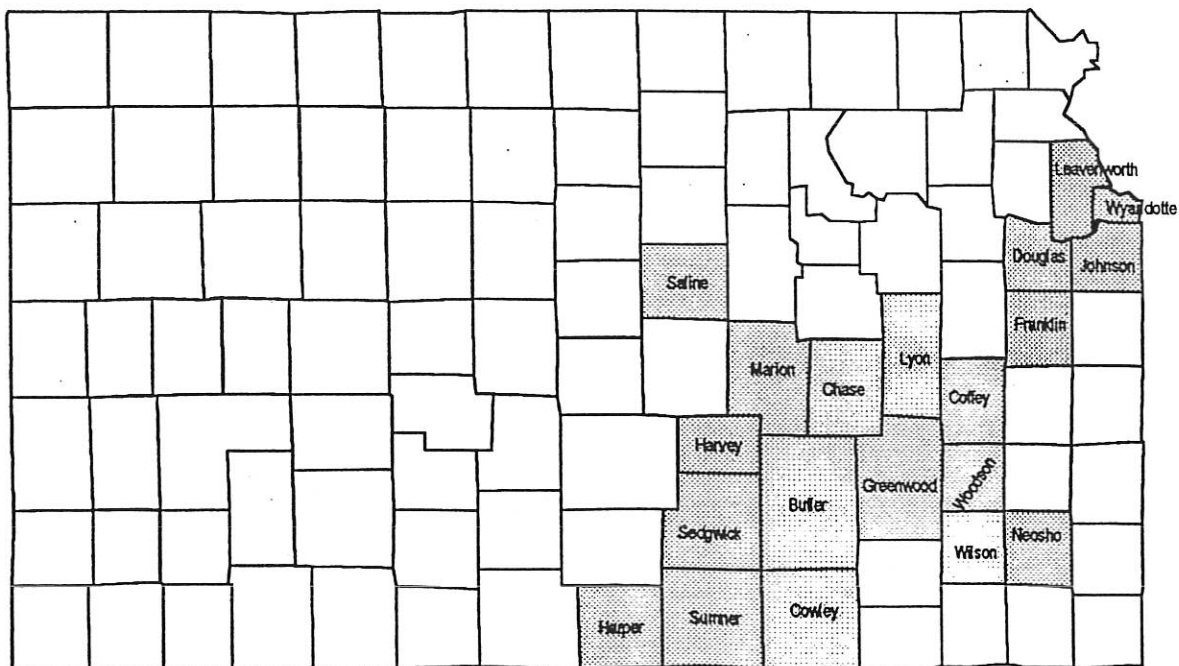
I welcome any questions you may have.

LEGISLATIVE SUMMARY

(As of January 7, 1999)



FEMA-1258-DR-KS



Prepared by: Information and Planning

Attachment #1

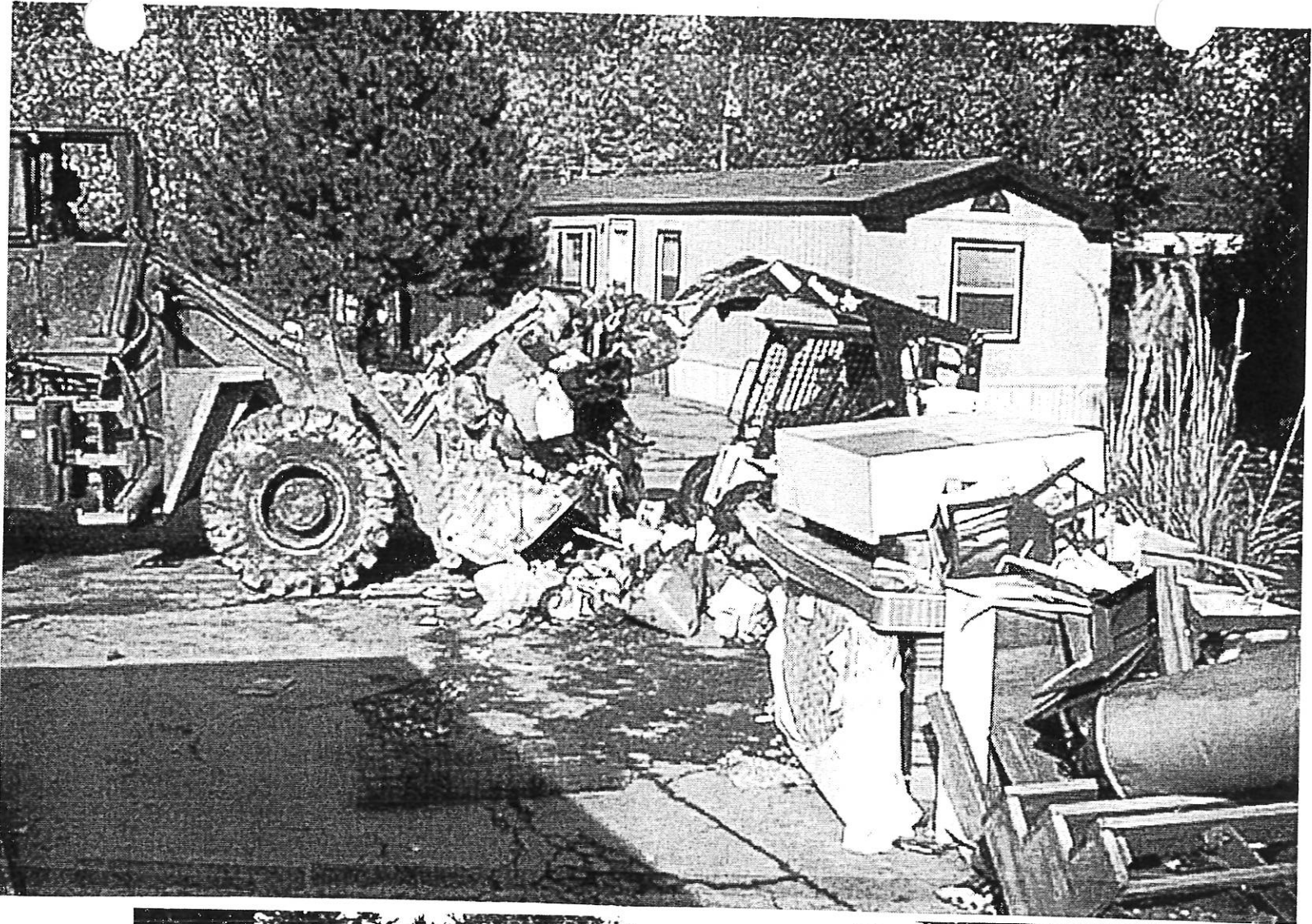


Photo Attachment #1
AUGUSTA, KS



Photo Attachment #2
AUGUSTA, KS

01-71
14-10

Ballroom Attachment

1 incorporated in the building or other project reported and paid by such
 2 contractor to the director of taxation not later than the 20th day of the
 3 month following the close of the month in which it shall be determined
 4 that such materials will not be used for the purpose for which such cer-
 5 tificate was issued, the nonprofit zoo concerned shall be liable for tax on
 6 all materials purchased for the project, and upon payment thereof it may
 7 recover the same from the contractor together with reasonable attorney
 8 fees. Any contractor or any agent, employee or subcontractor thereof,
 9 who shall use or otherwise dispose of any materials purchased under such
 10 a certificate for any purpose other than that for which such a certificate
 11 is issued without the payment of the sales or compensating tax otherwise
 12 imposed upon such materials, shall be guilty of a misdemeanor and, upon
 13 conviction therefor, shall be subject to the penalties provided for in sub-
 14 section (g) of K.S.A. 79-3615, and amendments thereto;

15 (yy) all sales of tangible personal property and services purchased by
 16 a parent-teacher association or organization, and all sales of tangible per-
 17 sonal property by or on behalf of such association or organization;

18 (zz) all sales of machinery and equipment purchased by over-the-air,
 19 free access radio or television station which is used directly and primarily
 20 for the purpose of producing a broadcast signal or is such that the failure
 21 of the machinery or equipment to operate would cause broadcasting to
 22 cease. For purposes of this subsection, machinery and equipment shall
 23 include, but not be limited to, that required by rules and regulations of
 24 the federal communications commission, and all sales of electricity which
 25 are essential or necessary for the purpose of producing a broadcast signal
 26 or is such that the failure of the electricity would cause broadcasting to
 27 cease;

28 (aaa) all sales of tangible personal property and services purchased
 29 by a religious organization which is exempt from federal income taxation
 30 pursuant to section 501 (c)(3) of the federal internal revenue code, and
 31 used exclusively for religious purposes; and

32 (bbb) all sales of food for human consumption by an organization
 33 which is exempt from federal income taxation pursuant to section 501
 34 (c)(3) of the federal internal revenue code of 1986, pursuant to a food
 35 distribution program which offers such food at a price below cost in
 36 exchange for the performance of community service by the purchaser
 37 thereof; and

38 (ccc) all sales of tangible personal property and services purchased
 39 after October 1, 1998, necessary to repair or replace tangible personal
 40 property or real property which was damaged or destroyed as a result of
 41 an event or occurrence which the president of the United States has de-
 42 clared, pursuant to federal law, to be a major disaster, and grants from
 43 the federal government to meet disaster related expenses resulting from

in this state

a weather related

11-11

1 such event or occurrence have been authorized. Sales tax paid on and
 2 after October 1, 1998, but prior to the effective date of this act upon the
 3 gross receipts received from any such sale shall be refunded. Each claim
 4 for a sales tax refund shall be verified and submitted to the director of
 5 taxation upon forms furnished by the director and shall be accompanied
 6 by any additional documentation required by the director. The director
 7 shall review each claim and shall refund that amount of sales tax paid as
 8 determined under the provisions of this section. All refunds shall be paid
 9 from the sales tax refund fund upon warrants of the director of accounts
 10 and reports pursuant to vouchers approved by the director or the direc-
 11 tor's designee.

12 Sec. 2. K.S.A. 1998 Supp. 79-3606 is hereby repealed.
 13 Sec. 3. This act shall take effect and be in force from and after its
 14 publication in the Kansas register.

No such sale shall be exempt hereunder unless occurring within three years after the date of such declaration.

if such claim is filed on or before July 1, 2000. Also, in the event that any such sale occurs after any such event or occurrence but before any such declaration, a sales tax refund shall be allowed if claimed within nine months after the date of such declaration.

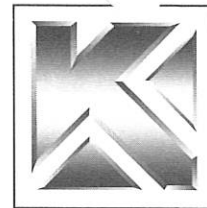
HB 2048 - Rep. Palmer Testimony - page 8 of 8
 Balloon Attachment (2 of 2)

21-71



Nelda and Jim Taylor were turned down for a loan from the Small Business Administration. They see little chance to salvage their heavily damaged home.

LEGISLATIVE TESTIMONY



Kansas Chamber of Commerce and Industry

web: www.kansaschamber.org

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

HB 2048

February 3, 1999

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

Written Testimony presented to the
House Committee on Taxation

by

Natalie Bright
Director of Taxation & Small Business

Chairman Adkins and honorable committee members:

My name is Natalie Bright, director of taxation and small business for the Kansas Chamber of Commerce and Industry, and I am submitting written testimony on behalf of KCCI members in support of HB 2048.

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.

When a devastated community is declared a natural disaster by the President, the clean-up process is time consuming and costly. Rebuilding for businesses is especially burdensome due to the costs associated with repairing or replacing business machinery and equipment. Usually the

*HOUSE TAXATION
2-3-99
Attachment 15*

businesses may not regain full productivity until all of its equipment is replaced. If HB 2048 is enacted, businesses will be given a sales tax exemption on the labor services and repair parts that are purchased to repair or replace that which was lost to the disaster. If granted, this exemption will assist businesses by reducing the burdensome cost of rebuilding, thereby reducing the time it takes for businesses to return to their prior level of productivity. Not only will the exemption benefit the businesses, but will benefit the community as a whole by stimulating the economic recovery that is needed by a community in such grievous situations.

Although fortunately, natural disasters do not occur frequently, their effect on businesses and communities can be devastating. HB 2048 is one step the State of Kansas can take to assist communities in the unusual time of need. The members of KCCI applaud the efforts of those sponsoring this bill and ask that this committee favorably consider its passage.

STATE OF KANSAS



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

Bill Graves
Governor

Duane A. Goossen
Director

February 3, 1999

The Honorable David Adkins, Chairperson
House Committee on Taxation
Statehouse, Room 448-N
Topeka, Kansas 66612

Dear Representative Adkins:

SUBJECT: Fiscal Note for HB 2099 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2099 is respectfully submitted to your committee.

HB 2099 would allow a sales tax exemption on tangible personal property and services purchases by primary care clinic or health centers with a federal income tax exemption.

HB 2099 would decrease state revenues. Information has been requested from several sources, including the Kansas Department of Revenue. However, that information is not yet available. Once information is received, a revised fiscal note will be provided. The Kansas Association of Counties stated that expanding sales tax exemptions would also cause a loss in revenue for local governments. However, the Association is unable to determine the full fiscal impact at this time.

Sincerely,

A handwritten signature in cursive script that reads "Duane A. Goossen".

Duane A. Goossen
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Judy Moler, Kansas Association of Counties
Don Moler, League of Municipalities

HOUSE TAXATION
2-3-99
Attachment 16

MEMORANDUM

To: Mr. Duane Goossen, Director
Division of Budget

From: Kansas Department of Revenue

Date: 02/02/99

Subject: House Bill 2099
Introduced as a House Bill

Brief of Bill

House Bill 2099, as Introduced, amends K.S.A. 79-3606 to provide a sales tax exemption for certain health care clinics and centers. The proposal would exempt all sales of tangible personal property and services purchased by a primary care clinic or health center, the primary purpose of which is to provide services to medically underserved individuals and families. The clinics must be exempt from federal income taxation pursuant to section 501 (c)(3) of the federal internal revenue code.

Fiscal Impact

The proposal is estimated to reduce state revenues by \$250,000 in fiscal year 2000 and \$270,000 in FY 2001. The state general fund would be reduced by \$237,000 in fiscal year 2000 and \$256,000 in fiscal year 2001. The highway fund would be reduced by \$13,000 in fiscal year 2000 and \$14,000 in fiscal year 2001.

The estimate is based on information from the Kansas Department of Health and Environment and the Kansas Association for the Medically Underserved (KAMU). There are 25 organizations in Kansas that operate health care clinics and centers which are intended to be covered under this bill. The organizations receive funding from federal and state grants as well as donations and in-kind services. The proposal would only provide for direct purchases by the organizations. Indirect purchases on behalf of the organizations by contractors would not be exempt under this proposal. Information provided by the Kansas Association for the Medically Underserved, and confirmed from discussions with the Kansas Department of Health and Environment, indicate the clinics purchased goods and services that result in the payment of sales tax of \$250,000 on an annual basis.

Administrative Impact

There would be a notice developed and mailed to retailers to inform them of the exemption.

Administrative Problems and Comments

HOUSE TAXATION
2-3-99
Attachment 17

As noted in the legal impact, an administrative concern exists regarding whether the proposal provides sufficient language to identify the intended organizations. Definitions of medically underserved may be available from federal or state statutes, or from regulations of the Kansas Department of Health and Environment. The department may be able to identify the organizations with assistance from KDHE. However, without clear definitions, there is the risk of litigation should an organization be refused the exemption based on the department's guidelines.

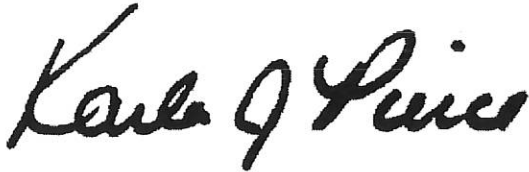
Taxpayer/Customer Impact

Providers of health care to the medically underserved would be able to purchase equipment, materials and services exempt from sales tax.

Legal Impact

The bill has two ambiguous terms, "primarily," and "underserved." Additionally, there is no definition provided for the terms "primary care clinic," and "health center." The ambiguities should be clarified and terms defined in order to help limit litigation and more effectively implement the legislation.

Approved By:

A handwritten signature in black ink that reads "Karla J. Pierce". The signature is written in a cursive, flowing style.

Karla J. Pierce
Secretary of Revenue



www.ink.org/public/kamu

Kansas Association for the Medically Underserved

The State Primary Care Association

February 3, 1999

Testimony - House Bill 2099

Exempting purchases of certain primary care clinics and health centers

Chairman Adkins and Committee members

My name is Joyce Volmut. I am the Executive Director of the State Primary Care Association - The Kansas Association for the Medically Underserved. I want to thank you for allowing me the opportunity to testify in support of House bill 2099, to ask for an amendment to the bill that includes both direct and indirect purchases - such as construction and renovation cost and to provide you with information on how passage of this bill will be helpful to our member organizations.

Throughout Kansas there are approximately 26 primary care clinics and health centers whose primary purpose is to serve as a medical home to the thousands of Kansans who are without access to primary care. These include Health Centers that receive funds through a grant from HRSA or have been certified by HCFA as Federally Qualified Health Centers (FQHC's), Centers who receive funding through the State-funded Community Based Primary Care Program and a few other primary care clinics who receive funding through other sources, such as private foundations, church affiliation or other local public support.

These primary care clinics and health centers provide a valuable service to the state of Kansas because they serve as a safety net for the increasing number of uninsured and under insured who are able to receive services from doctors, nurse practitioners, physician assistants, dentists, social workers and other professional staff employed by the clinic.

Though multifaceted, costs are kept to a minimum. Focused on prevention, early detection of problems and assistance with factors that compromise individual health status, these clinics and health centers focus on the problem at hand. In this way they are able to reduce problems farther down the line.

Clinics and health centers work diligently to assure that clients are able to follow their prescribed treatment plan. A case manager is assigned to assist in care coordination, to work with families to assure basic needs are met so that family members can concentrate on the tasks directly related to the health care they need. In 1997, these organizations provided full medical (primary care) services to more than 70,000

individuals. Approximately 87% of the individuals they serve have no health insurance. Approximately 20,000 are children.

Working with limited funds, these 501(c)(3) organizations struggle to meet the needs of the increasing number of clients they serve. This is why this bill is so important.

Some of you may be aware of these clinics or health centers in your own community or district and know of the valuable service they provide - Health Care Access in Lawrence, Johnson County Health Partnership in Overland Park and seeking to expand in Olathe, Douglas Community Health Center and the Duchesne Clinic in Kansas City, the Community Health Center in Hutchinson, the We Care Clinic in Great Bend, the Marian Clinic in Topeka, the United Methodist Mexican American Clinic in Garden City United Methodist Health Center and the Hunter Health Clinic both in Wichita.

Having been in make shift homes for the past 10 years, several of these clinics are now undertaking renovation. The Marian Clinic is expanding its dental services. This will allow three more dental chairs. The United Methodist Mexican American Clinic in Garden City is expanding- allowing for six more examination rooms. Over the past 10, services have expanded within the walls of this older home, that is known as the Mexican American Clinic that staffs literally have to wait in line for an exam room to open in order to examine the next patient. Hunter Health Clinic, operating since 1985 as a federal health center, is also seeking expansion.

For the past two years we have asked for sales tax exemption. And although many agencies have been granted sales tax exemption, including non profit hospitals and the state zoos, the Kansas primary care clinics and health centers have not. Consequently you see we appreciate the opportunity to have this legislation introduced.

Our research indicates that in 1997, these clinics and health centers paid less than \$250,000.00 in state sales tax. Though insignificant in overall state revenue, a cost savings of \$250,000 is significant to underserved clients statewide when one looks at the services this savings could bring:

- Diagnostic services for nearly 1000 clients
- Medications for 1-2000 clients
- Case Managers to assist in care coordination
- Additional doctors, nurses or dentists to expand primary care

In conclusion, we urge favorable passage of HB 2099- with insertion of language that includes all property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any non profit primary care clinic or health center that would be exempt from taxation under the provisions of this bill if purchased directly.

Through this health care to vulnerable Kansans could be enhanced without considerable cost to the state.

Kansas Association for the Medically Underserved
112 SW 6th St. Suite 201
Topeka KS 66603
785-233-8483
785-233-8403 FAX
jvolmut@idir.net

501(c)(3) Primary Care Clinics and Health Centers in Kansas

Private Non Profit (501)(c)(3)

Brookside UMC Clinic, Inc.
2760 S. Roosevelt
Wichita KS 67210

Duchesne Clinic
636 Tauromee
Kansas City, KS 66101

Cherryvale Rural Health Clinic
216 E. 4th
Cherryvale, KS 67335

Community Health Center of
Finney Co.
309 E. Walnut
Garden City, KS 67846

Community Health Center-
Hutchinson
200 B W. 2nd Ave.
Hutchinson, KS 67501-5210

Douglas Community Health Center
1029 N. 32nd St
Kansas City KS 66102

First Care Clinic
201 East 7th Street P.O. Box 8100
Hays, KS 67601

Flint Hills Community Health
Center
420 W. 15th
Emporia KS 66801

Hunter Health Clinic, Inc.
2318 E. Central
Wichita, KS 67214

Good Samaritan Family Care
Center
World Impact Village
3701 East 13th St., Bldg 400
Wichita, KS 67208-2077

Guadalupe Clinic
940 S. St. Francis
Wichita, KS 67211

Health Care Access
1920 Moodie Rd, PO Box 531
Lawrence, KS 66044

Health Ministries of Harvey County
209 South Pine
Newton, KS 67114

Health Partnership of Johnson
County
8600 W. 95th St.
Overland Park, KS 66212

Konza Prairie Community Health
Center
1212 W. Ash St.
Junction City, KS 66441

Martin de Porres Dental Clinic
3164 SE 6th Street
Topeka, KS 66607

Marian Clinic
1001 SW Garfield St.
Topeka, KS 66604

Salina Cares Clinic
125 West Elm
Salina, KS 67401

Saint Vincent Clinic
422 Walnut
Leavenworth, KS 66048

We Care Project
3007 10th St
Great Bend, KS 67530

United Methodist Mexican-
American Minis.
224 N. Taylor
Garden City, KS 67846

United Methodist Health Clinic of
Wichita
1611 N. Mosley
Wichita, KS 67214

NW Health Services, Inc.
Wathena and Troy
Doniphan County

**Primary Care Clinics and Health
Centers in Health Dept.**

Wichita-Sedgwick Co Health Dept.
Primary Care Children's Clinic
1900 E. 9th St.
Wichita KS

Manhattan- Riley County
Primary Care Clinic
2030 Tecumseh
Manhattan, KS 66502

Shawnee County Health Agency
615 W. 8th St.
Topeka, KS 66606

Mercy Hospital System of Care,
SEK

Cherryvale Rural Health
Clinic
Cherryvale KS

Elk County Rural Health
Clinic
Howard KS

Medical Plaza of Arma
Arma KS

Pleasanton Family Practice
Pleasanton KS

STATE OF KANSAS



DIVISION OF THE BUDGET

Room 152-E

State Capitol Building

Topeka, Kansas 66612-1575

(785) 296-2436

FAX (785) 296-0231

Bill Graves
Governor

Duane A. Goossen
Director

February 2, 1999

The Honorable David Adkins, Chairperson
House Committee on Taxation
Statehouse, Room 448-N
Topeka, Kansas 66612

Dear Representative Adkins:

SUBJECT: Fiscal Note for HB 2059 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2059 is respectfully submitted to your committee.

HB 2059 would expand the sales tax exemption on labor services to include all services for installing or applying tangible personal property in a building or facility. The types of services to which this bill would apply include those associated with construction, reconstruction, restoration, remodeling, renovation, repair, or replacement.

Estimated State Fiscal Impact				
	FY 1999 SGF	FY 1999 All Funds	FY 2000 SGF	FY 2000 All Funds
Revenue	--	--	(\$15,100,000)	(\$15,900,000)
Expenditure	--	--	--	--
FTE Pos.	--	--	--	--

HB 2059 would decrease state revenues by \$15.9 million in FY 2000, according to the Department of Revenue. The decrease would include a \$15.1 million decrease in revenues to the State General Fund and an \$800,000 decrease to the State Highway Fund. In FY 2001 the total reduction in state revenues would be \$17.9 million, including \$17.0 million to the State General Fund and \$900,000 to the State Highway Fund.

HOUSE TAXATION
2-3-99
Attachment 19

The Honorable David Adkins, Chairperson

February 2, 1999

Page 2

The Department based its estimate on FY 1994 sales tax data for labor services, parts, and material paid by contractors. These data show that, during FY 1994, the construction industry paid \$43.2 million in sales taxes for remodeling, repair, and maintenance. The Department used this amount as the basis for its estimate and three assumptions were applied. First, 60.0 percent of collections were attributable to labor services; second, 50.0 percent of services rendered were attributable to residential construction and remodeling and 50.0 percent were attributable to commercial; and third, a 4.0 percent annual growth rate was applied.

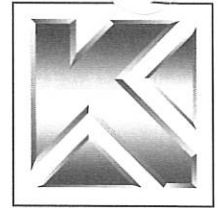
Sincerely,



Duane A. Goossen
Director of the Budget

cc: Lynn Robinson, Revenue

LEGISLATIVE TESTIMONY



Kansas Chamber of Commerce and Industry

web: www.kansaschamber.org

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

HB 2059

February 3, 1999

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

Senate Committee on Assessment and Taxation

by

Natalie Bright

Director of Taxation and Small Business

Madam Chair and members of the Committee:

My name is Natalie Bright, Director of Taxation for the Kansas Chamber of Commerce and Industry. I appreciate the opportunity to appear before you today and respectfully request you favorably consider HB 2059.

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.

KCCI was extensively involved in the effort to repeal the sales tax on original construction services in 1995 and has continued its support for all efforts to remove sales tax on both residential and commercial remodeling labor services. Our members applaud the Kansas Legislature's policy

*HOUSE TAXATION
2-3-99
Attachment 20*

decision made last session to remove the sales tax on residential remodeling labor services and request this Legislature reaffirm the wisdom of that decision by completing the process and removing sales tax on labor services for commercial remodeling.

Unfortunately, the addition of sales tax on a remodeling job is often a determinative factor in whether a business chooses to purchase an older building and remodel, or buy a new building that requires no remodeling. By completing the process started last session and removing the sales tax, businesses will be encouraged to modernize outdated and dilapidating facilities. Eliminating the sales tax will serve as an incentive to preserve older commercial structures and revitalize aging business districts.

The remodeling tax, which amounts to about 2-2 ½% of cost, puts Kansas at a competitive disadvantage with our neighbors. None of Kansas' neighboring states impose such a tax and only a few states even have the tax. For example, our neighboring state of Missouri does not assess a sales tax on remodeling labor services. In the Kansas City area, Kansas contractors are at a competitive disadvantage with Missouri contractors for projects under \$10,000 because of the Kansas "situs" law required for local sales tax. The local tax in effect at the contractor's office is applied on projects under \$10,000. Since Missouri contractors are not located in Kansas, Missouri contractors do not pay local city and county sales taxes on the commercial remodeling jobs. This is a disadvantage to Kansas remodeling companies. As a result, many Kansas contractors lose bids to Missouri contractors. Thus, imposing a sales tax on remodeling labor services often results in income that would have been generated from the project for Kansas businesses being exported to Missouri.

KCCI thanks the members of this committee for reconsidering the elimination of sales tax on commercial remodeling. We encourage your favorable action on this matter and are hopeful that 1999 is the year it will be resolved. Thank you for your time and consideration.

TO: MEMBERS OF THE HOUSE TAXATION COMMITTEE

FROM: DAVID N. ALLISON, CPA, AND BOARD MEMBER OF THE ASSOCIATED
GENERAL CONTRACTORS OF KANSAS, INC.

RE: SALES TAX ON REMODEL OF COMMERCIAL CONSTRUCTION

DATE: FEBRUARY 3, 1999

Chairman and Committee members,

I am David Allison. I live at 3701 SW Spring Creek Drive, Topeka, Kansas, 66610. I am a native of Kansas. I was raised in Kansas City, Kansas, and graduated from Kansas State University in 1980. I have been practicing public accounting for all of my professional career, where I am currently the managing member of a 65-person public accounting firm, Braunsdorf, Carlson & Clinkinbeard, CPA's, L.L.C.

I come here today as an associate member of the Associated General Contractors of Kansas, Inc., a national director of the Associated General Contractors of America, and as a consultant to our firms' over 150 commercial and residential contractor clients. The majority of our contractor clients have annual revenues of less than \$10 million and they are family-owned and operated businesses. Our firm and I have represented and consulted with numerous clients regarding the application of sales tax on construction projects, including original construction and remodeling issues.

After 18 years of working with contractors and homebuilders, I wholeheartedly support legislation to repeal the sales tax on all remodeling construction. I believe the tax on remodeling construction should be repealed for the following reasons:

1. This tax gives an unfair advantage on contracts less than \$10,000 to contractors who are located in a city or county with little or no local sales tax. The Kansas law reads that a contract less than or equal to \$10,000 is to be taxed at the local rate where the contractor's office is located. For example, a \$9,000 project to remodel a business office in Shawnee County is subject to 6.15% sales tax if you are a contractor located in the city

of Topeka, but the project is subject to 4.9% sales tax if you are a contractor located in rural Pottawatomie County.

2. Many tax-exempt organizations (schools, governments, not-for-profit organizations, etc.) do not believe they are subject to sales tax on construction projects. If they follow required procedures to apply for and receive project exemption certificates, their projects normally are not subject to sales tax. However, these organizations or the contractors many times will not follow proper procedures to apply for project exemption certificates because they believe the entity is exempt from sales taxes. Typically, even if the contractor bills sales tax to the tax-exempt organization properly, the organization will mark through the sales tax on the invoice and write, "exempt from sales tax." Another common problem is a school or local government asking for repair services on an emergency basis (e.g., water line breakage) and there is not time to obtain an exemption certificate. The contractor does the work, bills for the project including sales tax, and the exempt organization will not pay for the sales tax. The reality is, at least with the clients I have worked with, that tax-exempt organizations will not pay sales tax on construction projects and the contractor will bear the cost of the sales tax, penalty and interest during an audit. The contractor typically cannot go back and obtain reimbursement from the tax-exempt organization because they refuse to pay it and it isn't worth the cost of litigation to pursue.
3. There are numerous instances of a noncompliance in billing and collecting sales tax on remodel contracts, especially by new contractors. The construction industry is one of the easiest to enter and exit. Virtually anyone with a pickup, hammer and saw can become a contractor. This lack of compliance with proper application of sales tax to remodel projects gives the contractor who complies with the sales tax laws a disadvantage compared to a contractor who does not comply with the law. The Robert Morris Association Annual Statement Studies survey of 1,081 commercial contractors show that the average profit before income tax was 2.4% for 1996. A contractor who does not comply with the sales tax law (whether intentionally or unknowingly) can have a significant advantage in obtaining a profitable bottom line.
4. The sales tax on construction projects is difficult to understand and comply with by most construction companies. When the sales tax on original construction was implemented, our firm performed numerous seminars (many with Kansas Department of Revenue representatives as speakers) on the requirements of the original and remodel sales tax law. We had more than 100 contractor firm owners and their bookkeepers attend the seminars. A year after the seminar, a large number of contractors and their bookkeepers still did not understand the law. As of today, a large number of contractors and their bookkeepers still do not understand the law. There is large turnover in the bookkeeping departments of contractors and there is little education provided to office personnel by construction firms. I have no doubt that the vast majority of construction companies are not in full compliance with Kansas sales tax laws on remodeling projects.

5. It is difficult to determine when a contract is original construction or a remodeling project. It is very common for a contractor to believe the contract qualifies as original construction, but to have the facts and circumstances reinterpreted by the Kansas Department of Revenue as a remodel project. It is many times too expensive to fight the KDOR assessment and the contractor will pay the tax. These audits are a nuisance to our clients. To put yourself in their shoes in determining how a common person would classify a construction project, how would you classify the following construction projects (as original construction or remodel):

Western Resources project to replace 2-inch gas lines with 6-inch gas lines? Remodel.
You do not remove the old line, but add a new line? Remodel.

Southwestern Bell project to run new fiber optic cable to replace existing telephone lines?
Remodel.

A new building addition is added to the Goodyear plant in Topeka? Original construction.
The addition requires the heating system to be replaced with a larger HVAC unit?
Original construction. Goodyear decides to add heating to existing areas of the plant while this project is underway? Partial remodel and partial original construction. How do you determine how much of the contract is subject to tax? What happens when the KDOR disagrees with your allocation method?

6. There is inconsistency in the application of the law by Kansas Department of Revenue agents. This is mainly an issue of difference in interpretation of law, which may be different from auditor to auditor. However, in my opinion, there has been a propensity in past years for the auditors to write up an item as taxable and force the taxpayer to negotiate a settlement with the KDOR legal department. Many times their audit approach is not appropriate for contractors, because contractors build on a project by project basis (some taxable, some not), while auditors are trained to go through vendor files A to Z. Consequently, the auditors are not able to cross-reference to tax-exempt projects. They then expect the contractor to do the rest of the work for them.
7. It is difficult to determine where a nexus is established on a construction contract. Nexus between states is a problem. We have had a general contractor purchase and take possession of materials outside of Kansas, transport and then install the materials in a remodeling project in Kansas? Is tax due to the other state or Kansas? Typically, both the other state and Kansas assess sales tax, penalty and interest to the contractor and the contractor must take each state's Department of Revenue to court to determine how the states are to divide the tax.

Nexus between local governments is a problem. It is difficult to track which city or

county should receive credit for taxable sales. Imagine a contractor installing a fiber optic line or pipeline from Olathe through Kansas City, Kansas and ending in the city of Leavenworth. You pass through three counties and at least three cities. How do you allocate the contract amount to each government and charge sales tax? How do you determine the amount of sales tax when you bill monthly over a nine-month period on an even billing basis? Now consider you are a new bookkeeper without a college education and you are faced with figuring out this situation.

I am also a member of the National Electrical Contractors Association and the Kansas Contractors Association. I have other members of our firm who are members of the Kansas Home Builders Association. I and other BCC firm employees have attended sales tax seminars sponsored by these organizations. At each seminar, those in attendance are amazed by the common misunderstanding regarding who, what, where, when and how construction contracts are subject to sales tax. The guest speakers (usually Kansas Department of Revenue provided speakers) say the law is not clearly understood by those who must bill and collect it. Those speakers suggest that the contractors write their representatives and ask for the repeal of the sales tax on remodeling projects. I, too, speaking as a member of AGC of Kansas, Inc. and as a practicing CPA who deals with contractors every day, ask that you repeal this law to be fair to all of the taxpayers and contractors in Kansas. We appreciate the repeal of the sales tax on residential remodeling construction, and I would ask you to complete the job by repealing the sales tax on all remodeling construction.

Thank you for your time today to hear from one person speaking for an industry besieged by over regulation.

**TESTIMONY BEFORE THE HOUSE
TAXATION COMMITTEE**

ARGUMENTS FOR THE REPEAL FOR THE SALES
TAX ON CONSTRUCTION SERVICES USED IN
COMMERCIAL REMODELING - HB 2059
BY GUS RAU MEYER
RAU CONSTRUCTION COMPANY
FEBRUARY 3, 1999

My name is Gus Rau Meyer and I am President of Rau Construction Company. Rau is a mid sized construction company founded in 1870, and doing business in the Kansas City Metropolitan area since the early 1900's. Our headquarters for the past 40 years has been in Overland Park. Our main focus is on commercial and industrial projects in the private sector.

Over the past 10 years we have seen an increase in the amount of remodel and renovation work we perform. I attribute this increase in remodel and renovations as an economic necessity due to the significantly higher costs associated with new construction.

Although economic times have been good in the Eastern portion of Kansas, the economic demands on remodel construction have become more severe. The competition between local jurisdictions, on both sides of the state line (Kansas and Missouri) make the decision as to where to relocate or renovate very intense. Comparing equal designs, the two major items which will determine the ultimate location of a project based on the economics of construction costs are: Cost of Sales Tax on Construction Services; and ADA compliance. Since we are not here to discuss the costs of ADA compliance, the only other major variable cost is Sales Tax on Construction Services.

This is a significant economic development issue for the commercial real estate industry. Per the attached analysis of 2 recent remodel projects in Kansas, approximately 2.56% of the total cost of the project goes to pay this tax. In an industry where a fraction of a percent in a rental rate may cause a tenant to choose a Missouri site over a Kansas site, a 2.56% difference in the remodel cost can be a significant difference.

A second issue associated with this tax is the difficulty in administering this tax. This is from the standpoint as a remitter; and I feel I am safe to say it is also difficult from a collection perspective. As a company who prides itself in exceptional accounting practices, we have found we always have a problem in this area during sales tax audits. The interpretation on what constitutes remodeling appears to be subject to change depending on the person making the audit.

As an example, we are currently underway on a \$2,500,000 addition and remodel for a church in Fairway, Kansas. I know the next time we have a sales tax audit there will be considerable discussion on all aspects of this project. One specific example is, since this is a large expansion in addition to the remodel, a new chiller (a large piece of air conditioning equipment required by the expansion but can be used to serve the existing space) is being installed. Is the labor to install this and associated piping exempt from this remodel tax since it is required by the addition, fully taxable since it will physically be located in the existing building, or partially taxable (and to what extent)? Ask 5 auditors from the state and you will probably get 5 different answers. There are numerous examples of items like this on this project.

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TESTIMONY BEFORE THE HOUSE ASSESSMENT AND TAXATION COMMITTEE
ARGUMENTS FOR THE REPEAL FOR THE SALES TAX ON CONSTRUCTION
SERVICES USED IN COMMERCIAL REMODELING - HB 2059
BY GUS RAU MEYER
FEBRUARY 3, 1999

As I mention before, I am submitting with this testimony an analysis of what the effect of the Sales Tax on Construction Services concerning Remodeling has on two recent projects in Kansas. On a hypothetical \$500,000 remodel project. The Sales Tax on Construction Services, paid by all Contractors on this hypothetical project would amount to \$13,100 or 2.62% of the cost of the project. Examples of a project of this size would be a 15,000 to 30,000 square foot tenant finish, or a renovation of a small to average size downtown building. This "hypothetical" project could be found in any area of the state, especially the renovation of an older building. This is in addition to the Sales Tax on Materials.

Although I am not an economist or an actuary, my own analysis of the this issue is every project which chooses another state to locate in or is not done because of these economics, are far more of a loss to the State than the loss of sales tax revenue. I feel the elimination of the Sales Tax on Construction Services could result in an increase in revenues from other tax revenues (Sales Tax on Materials, Property Tax, Income Tax, etc) due to an increase in projects being done in the State of Kansas. These are projects that would have not been constructed, or would have been done in other states if this Tax was still in place. This increase in these other tax revenues, coupled with the other economic benefits of more business and jobs, far outweigh the income realized by the State from this Sales Tax on Construction Services.

In conclusion, as a life long resident of Kansas, and a backer of its high quality of life and standard of living, I feel this Tax is a burden upon me and my State as it relates to its difficulty to administer and subsequent enforcement, and restriction to economic development as it effects small businesspeople to real estate developers. It is hurting the people who live and work inside the state boundaries and do not have a choice as to where to build their business by significantly increasing their cost. It also, and more importantly, driving people who have a choice around the perimeter of the state, away from Kansas.

I thank you Mister Chairman and members of this committee for allowing me to appear before you today. I appreciate your consideration and ask for your support in repealing this Tax as outlined in HB 2059. If you have any questions, I would be glad to address them.

TESTIMONY BEFORE THE HOUSE TAXATION COMMITTEE
 ARGUEMENTS FOR THE REPEAL OF THE SALES TAX ON CONSTRUCTION
 SERVICES USED IN COMMERCIAL REMODELING - HB 2059
 BY GUS RAU MEYER
 FEBRUARY 3, 1999

Description	Sample Project #1	Sample Project #2	Average Project 1&2	% Labor	\$ Labor
General Conditions	\$62,628	\$33,479	\$48,054	65.00%	\$31,235
Demolition	\$28,599	\$25,445	\$27,022	75.00%	\$20,267
Sitework	\$711	\$0	\$356	25.00%	\$89
Flat Concrete	\$0	\$2,815	\$1,408	42.00%	\$591
Masonry	\$3,382	\$0	\$1,691	55.00%	\$930
Structural Steel	\$0	\$5,000	\$2,500	44.00%	\$1,100
Carpentry	\$1,960	\$1,125	\$1,543	50.00%	\$771
Millwork	\$35,338	\$17,148	\$26,243	40.00%	\$10,497
Insulation	\$0	\$0	\$0	50.00%	\$0
Roofing	\$0	\$2,000	\$1,000	27.00%	\$270
Sheetmetal	\$0	\$0	\$0	30.00%	\$0
Caulking	\$0	\$700	\$350	60.00%	\$210
Doors, Frames & Hardware	\$9,081	\$24,225	\$16,653	30.00%	\$4,996
Glass & Glazing	\$550	\$2,731	\$1,641	33.00%	\$541
Drywall & Ceilings	\$99,163	\$54,700	\$76,932	42.00%	\$32,311
Floor Coverings	\$73,470	\$80,998	\$77,234	25.00%	\$19,309
Ceramic Tile	\$7,685	\$4,714	\$6,200	33.00%	\$2,046
Painting & Wall Coverings	\$45,149	\$33,054	\$39,102	75.00%	\$29,326
Toilet Accessories	\$2,700	\$0	\$1,350	20.00%	\$270
Specialties	\$14,459	\$7,453	\$10,956	30.00%	\$3,287
Elevators	\$0	\$0	\$0	20.00%	\$0
Plumbing	\$35,362	\$6,870	\$21,116	45.00%	\$9,502
Fire Sprinklers	\$9,462	\$8,665	\$9,064	62.50%	\$5,665
HVAC	\$24,850	\$44,349	\$34,600	25.00%	\$8,650
Electrical	\$194,400	\$87,330	\$140,865	38.00%	\$53,529
	\$648,949	\$442,801	\$545,875		\$235,391
OH&P	\$38,451	\$30,856	\$34,654		
	\$687,400	\$473,657	\$580,529		

Amount Taxable by Remodel Tax

Labor	\$235,391	
Subcontractor OH&P	\$33,266	12% of materials
General Contractor OH&P	\$34,654	
Total	<u>\$303,311</u>	

Remodel Tax - State
 % of project cost

\$14,862 4.9% X Total Amount Taxable
 2.56%

MARKETPLACE

PROPERTIES, LLC

February 2, 1999

The Honorable Dave Adkins
State Capitol Building
300 SW 10th Ave.
Topeka, KS 66612

Ref: **HB 2059 Exemption on Labor on Commercial Remodel Construction**

Dear Chairman Adkins:

I believe that the single most important issue at the State level for future downtown development is the state sales tax which is still applied to commercial remodeling / restoration projects, but not to new construction. This puts a financial hardship on developers, such as myself, who are trying to make a difference in our downtowns. Much of the remaining stock of downtown buildings in our communities need to be renovated and given a new use, but with the sales tax penalty on existing buildings the lease rates are driven higher. The present sales tax structure in Kansas is designed to favor the businesses that occupy new buildings that are usually constructed on the fringes of our cities and penalizes business persons who would prefer to help revitalize the center city. This policy contributes to increasing problems. It encourages urban sprawl and rewards the conversion of farmland to high density commercial development. All this adds to the cost local government must spend to extend the infrastructure instead of development using the infrastructure that is already in place and paid for in the city.

Some of you who have never been involved in the rebirth of an old building may believe that I am talking about some minor adaptations or repairs. This is not true. Most of the buildings that I deal with were built in the historic part of Wichita's downtown during the turn of the century. To give these old warehouses a new use is quite time and cost intensive. The building is stripped of the old utilities, interior walls, roof membranes, inefficient and nonoperable windows and mechanical systems (many of which contain asbestos). This demolition cost is not a cost incurred with new construction, and it is quite labor intensive. When the demolition phase is completed, all that remains is the structural shell of the building, which usually needs a lot of attention such as replacement of rotten timbers and tuck painting of the brick. Only after these two critical and expensive steps are complete can the new electrical, mechanical, interior finish, windows, doors, new sprinkler and fire systems be installed. Many buildings were built dock high which takes additional dollars to bring them into ADA conformity. All in all, much of what I do to help revitalize our downtown

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and preserve our architectural heritage costs more than new construction and is much more labor intensive. When the sales tax is added to the equation, the State provides a disincentive to the redevelopment of our inner cities and towns.

I know that there has been a lot of talk about what "remodeling" does or doesn't include. Without a clear definition, remodeling could include repairs to existing buildings. This would drive the cost of tax loss to the State up considerably. The definition that I would like to see used is as follows:

If the construction cost of a building exceeds the assessed value of the property than the work shall be sales tax exempt. The assessed value is defined as the purchase price of the real estate, less the land value, plus any previous improvements, less any accumulated depreciation.

This definition is already used by the Federal government to define when Historic Tax Credits may be applied to a renovation project, which will eliminate the small miscellaneous repairing of light fixtures, mechanical system adjustments, etc.

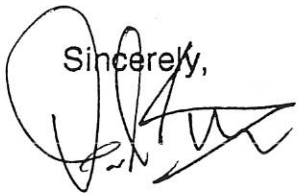
If the above definition sounds too complicated than an easier definition would be:

Any remodel project that requires either a building permit or exceeds \$50,000.00 in value.

In conclusion let me remind you that tax policy that helps restore our inner cities and towns by promoting business will result in new jobs, additional tax revenue, and improved quality of life for all of our citizens. Please level the playing field! Either remove the sales tax on commercial remodeling or add the sales tax back to new construction.

Thank-you for the opportunity to bring you my thoughts on this subject.

Sincerely,



David Burk
Owner



CITY OF TOPEKA

Joan Wagnon, Mayor
215 S.E. 7th Street Room 352
Topeka, Kansas 66603
Phone 785-368-3895
Fax Number 785-368-3850

TO: House Committee on Taxation
FROM: Mayor Joan Wagnon, City of Topeka
RE: **HB 2059; Sales Tax Exemption for Labor Used in Commercial Remodeling**
DATE: February 3, 1999

The City of Topeka expresses its strong support for HB 2059, which would exempt from both state and local sales taxation the cost of labor used in the remodeling of commercial buildings.

In my judgment, based on my experience as a former state legislator, as mayor, and as someone deeply concerned about the future of Topeka and other Kansas cities, the State and its local units should have strong and concerted public policies directed toward urban conservation. We have a tremendous public investment in the infrastructure of our cities, especially in our downtown areas. We should deliberately encourage their preservation and revitalization -- including the rehabilitation and remodeling of core-area private buildings in cities both large and small. Downtowns are the heart of a city. Downtowns provide a sense of place and a sense of community.

Topeka's downtown is on the verge of revitalization. Many private property owners are looking at renovations of existing downtown buildings, but the higher costs for renovation over new construction are a barrier. The city is using the Neighborhood Revitalization Act, and any other incentives that might be available. However, exempting the sales tax on remodeling labor would be a significant incentive for renovating parcels such as the old Morrell building on the riverfront, the Jayhawk Theater, and many more.

Our present public policy of sales tax exemption for labor services only on new construction tends to be counter-productive of the objective of urban conservation. I agree that new commercial construction is a benefit to the community, but we should not have tax disincentives for the remodeling of our older buildings, nor disincentives for conservation of existing private buildings and public infrastructure.

I urge you to recommend HB 2059 for passage.

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**Testimony of Hal Hudson, State Director
Kansas Chapter,
National Federation Of Independent Business
Before the
Kansas House Taxation Committee
on House Bill 2059
February 3, 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.

NFIB/Kansas members support the exemption of sales tax on labor services used in all remodeling. Many have told me since last year that the exemption on residential remodeling labor services has made life much simpler for their bookkeepers.

Although it was not a top priority for 1999, NFIB members have supported removal of sales tax from labor services in all remodeling, and continue to do so.

Only a very few NFIB members are engaged in the business of commercial remodeling, but all face the necessity of paying a tax when they have work done on their business property that residential property owners don't pay.

No doubt others have or will express stronger arguments for removal of this tax. I would simply ask you to give the business property owner the same break that residential property owners already enjoy.

Thank you.

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Testimony on House Bill 2059
Sales tax exemption for remodeling labor services
House Taxation Committee
February 3, 1999

Bernie Koch
Wichita Area Chamber of Commerce

Mr. Chairman, members of the committee, thank you for the opportunity to make comments this morning. I'm Bernie Koch with the Wichita Area Chamber of Commerce.

The Wichita Area Chamber supports the removal of sales tax from remodeling labor services as we have for several years. As you know, Kansas has removed the sales tax from labor on original construction.

The remodeling labor sales tax now acts as a penalty for business people who choose to locate in an older neighborhood or make a vacant building useful again. Sometimes the buildings have historic significance and remodeling them for a business can actually save them and improve the neighborhood.

Remodeling one of these buildings is often more expensive than building a brand new facility someplace on the edge of town.

Our chamber used to have a downtown business development component. The staff person with responsibility for downtown was constantly asking me about the status of legislation like this. On some proposals, the 5.9 % sales tax made the difference between doing a big project and not doing a project.

In Wichita, this bill would be an incentive for development in our downtown and Old Town areas. Nobody likes to see vacant business properties in a downtown or older neighborhood. When those properties are occupied by income-producing businesses, they generate property tax and can generate sales tax as well.

Mr. Chairman, I know you have a lot on your plate this year in this committee and you have to make difficult choices about what to do. This issue has been around for awhile. I don't believe it's going to go away. I believe that sooner or later, the legislature will vote to enact a sales tax exemption for remodeling labor. I would simply suggest to you that sooner would be better.

Thank you.

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COLE CONSULTANTS

EMPLOYEE BENEFITS SPECIALISTS

To: Representative Dave Adkins, Chairperson, House Taxation Committee

FROM: Joan Cole, Wichita City Council Member and small business owner

DATE: February 3, 1999

RE: HB2059 Exemption on Labor on Commercial Remodel Construction

I regret that a previous commitment in Wichita prevents me from attending your meeting in person so that I could speak to this issue. I have asked my husband and business partner to read my statement.

I would begin by thanking you for exempting sales tax on labor for residential remodeling. My district represents many of the older inner-city neighborhoods where remodeling and restoration are difficult for many reasons. Among them are the reluctance of many lenders to provide financing for projects in older neighborhoods and the lack of craftsmen with the skills required to work on these beautiful old structures. Providing an incentive to these persons that is equal to that provided to persons building new homes in the suburbs is an important step toward improved center city neighborhoods. It is a simple matter of leveling the playing field.

Today I am asking that the same incentive be offered to small business persons as is available to large businesses. Particularly to the small business person who chooses to remain in the older commercial areas to remodel or restore buildings which utilize the present infrastructure and contribute to the restoration of the center city. I am such a person. My husband and I purchased a condemned two-story brick building in the inner city several years ago with the intention of remodeling the first floor for our offices and converting the second story for our residence. We have spent

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Senior Benefits Consultant

JOAN B. COLE, RHU
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ATTACHMENT 27

Over 30 Years of Service to Employers

close to \$150,000 on remodeling, almost as much as we paid for the building. Under the current system, we had to pay sales tax on every dollar of construction labor.

On very large remodel projects, those over two million dollars, the developer can avoid paying sales tax on labor by using the city's industrial revenue bond financing. The City of Wichita has issued bonds on several large projects such as the Old Town Hotel in Old Town and the Castle Inn Riverside and will be using this method on the sixteen million dollar renovation of Eaton Place. This is appropriate since such policies create jobs and, ultimately, increase the tax base. I contend that the small employer makes the same contribution in proportion to his or her expenditure.

As a consequence, small commercial projects such as mine, projects costing \$100,000 to \$2 million dollars stand as the only construction activity to pay this sales tax. It appears that those of us who choose to stay and keep the center city viable are singled out for disincentives. As you know, small business persons provide the majority of job growth in this country. Those same small business persons often cannot afford to lease space in new and costly office buildings. Instead, they look for space that is affordable, either to rent or to purchase and often find those buildings in the older, commercial areas of our cities, large and small.

Any tax structure should aim for equity in its application. The present system fails in this respect. Its design penalizes the small business owner in comparison with the large business endeavor. I am here today to petition you to redress this inequity by providing fairness and evenhandedness by exempting sales tax on remodel construction labor. In doing so, you will provide for more than equity, you will encourage the restoration of the center cities in towns large and small in Kansas.



MID-AMERICA LUMBERMENS ASSOCIATION

TESTIMONY

HOUSE TAXATION COMMITTEE

FEBRUARY 3, 1999

HOUSE BILL NO. 2059

Good Morning. Mr. Chairman and members of the House Taxation Committee, my name is Art Brown. I stand before you today representing the retail lumber and building material dealers as a proponent of House Bill No. 2059 which would remove the tax on labor services for commercial and industrial construction.

Be not dismayed by the thickness of my testimony, I will be able to cut through most of the attached ancillary information. I address this information with the indulgence of the Committee for a flashback in time. In 1995, I worked with Chris McKenzie, Executive Director of the Kansas League of Municipalities, on a bill that would have allowed local units of government to collect a local option use tax. Under current Kansas law, there is no device that allows them to do so. The bill became a boondoggle as it pitted the States manufacturing interest against retail entities such as the members we represent. The Senate Tax Committee had all of the fun they wanted with this concept and after a public hearing took no action on the bill, although the \$23 million dollar fiscal note to the State (figures at that time provided by KDOR) tantalized and intrigued many of the Committee members. We were interested in persuing this matter at a later time, but the Missouri

Supreme Court stepped in and struck down Missouri's local option use tax collection policy, and all of this became a mute point. Or did it?

Fast Forward to 1999 and take a look if you will at the attachments provided from the MO. Dept. of Revenue. You will see that the Missouri State Legislature passed a law allowing the local units to again collect this tax. They feel that with this current language, they can pass the sniff test of the Missouri Judicial system. The Mo. State tax rate is 4.225%. Any figure you see on the tables is tax above and beyond the 4.225% that the locals get to keep and is collected from OUT OF STATE businesses who pay this tax to the State of Mo. I would like the Committee to take just a second to look at the Kansas City rate on page 5 of the supplemental information. At first blush, it would appear we in Kansas would have the advantage over their tax rates due to the fact our local units cannot collect any taxes. Again, I emphasize that if any of these entities sell product into Kansas, there is no device to allow that local unit to collect the tax on the item sold into Kansas. To summarize the flavor of this issue, with the 5.725% tax rate in Kansas City, it is CHEAPER, to sell into Kansas. That is until you add the 4.9% tax on labor, then the tax advantage is lost. Without such a tax in Missouri, the advantage goes in their favor and to add insult to injury, their local units still reap a benefit by receiving the use tax. As it relates to this issue, it points out a disparity on local option taxes, which when your are bidding material for commercial and industrial projects, can add up to some significant dollars just on the material side of the equation. NOW, if you add the tax on labor to these projects, which Missouri or no other surrounding State has, it starts to hurt our ability to bid all the more. To paraphrase the late United States Senator Everitt Dierkson, "add a few dollars here and a few dollars there, and your starting to talk about some big money." This big money will gladly trot over the State line, and for

those of you who were not around to see this tragedy when the 2-1/2% tax was imposed on new residential construction, I can assure that it was not a pretty sight.

Maybe in pure and utter desperation, I utilized the local option use tax scenario as a means to generate the movement needed to complete the final phase of removing the taxation on construction labor services. Since 1992, we have seen several changes in the way construction labor tax is administered. Some of these changes were downright ugly. The Legislature saw this and headed in the right direction with the elimination of the 2-1/2 % tax on labor services employed in new construction in the 1993 session and the elimination of the 4.9% tax on remodeling and reconstruction of residential property last year. I will let my compatriots in the construction industry address the administrative fits this policy deals their members. Speaking for our members, this once again is a reiteration of our long standing policy statement that as an economic development issue, and a parity issue in so far as tax policy with other States, that the elimination of this tax on labor services for commercial and industrial construction needs to be eliminated. I hope my testimony has enlightened you to the unfairness of this tax and the need for its elimination. Mr. Chairman, this will make about our 9th time to testify on this issue over the last 6 years (Actually, it may be more than that.) We are getting tired of testifying on this issue every year, and I'm sure the Committee is getting tired of hearing us testify. It is our sincerest hope that this is the year you see fit to pass HB 2059 favorably out of this Committee and forever put this issue behind us.

I thank you for the opportunity to testify before you and stand for any questions.



September 1998

Dear Vendors:

The following counties or cities will have a local option use tax change. This will affect the proper use tax rate to be collected when making sales to these counties or cities, effective October 1, 1998:

Caldwell County (MITS County 025) New use tax rate is 5.725%.

This will affect the following cities in Caldwell County:

CITY NAME	CITY CODE	USE TAX RATE	FOOD USE RATE
Caldwell County	00025	5.725%	2.725%
Braymer	08038	5.725%	2.725%
Breckenridge	08128	5.725%	2.725%
Cowgill	16984	5.725%	2.725%
Hamilton	30034	5.725%	2.725%
Kidder	38522	5.725%	2.725%
Kingston	38846	5.725%	2.725%
Mirabile	48854	5.725%	2.725%
Nettleton	51626	5.725%	2.725%
Polo	58916	5.725%	2.725%

Carroll County (MITS County Code 033) New use tax rate is 4.725%.

This will affect the following cities in Carroll County:

CITY NAME	CITY CODE	USE TAX RATE	FOOD USE RATE
Carroll County	00033	4.725%	1.725%
Bogard	06832	4.725%	1.725%
Bosworth	07426	4.725%	1.725%
Carrollton	11566	4.725%	1.725%
De Witt	19342	4.725%	1.725%
Hale	29908	4.725%	1.725%
Norborne	52760	4.725%	1.725%

Shelby County (MITS County Code 205) New use tax rate is 5.725%.

This will affect the following cities in Shelby County:

CITY NAME	CITY CODE	USE TAX RATE	FOOD USE RATE
Shelby County	00205	5.725%	2.725%
Bethel	05104	5.725%	2.725%
Clarence	13978	5.725%	2.725%
Emden	22240	5.725%	2.725%
Hunnewell	33760	5.725%	2.725%
Lakenan	39998	5.725%	2.725%
Lentner	41510	5.725%	2.725%
Leonard	41546	5.725%	2.725%
Shelbina	67178	5.725%	2.725%
Shelbyville	67196	5.725%	2.725%

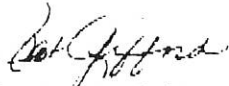
The following cities will also have a local option use tax change effective October 1, 1998:

CITY NAME	CITY CODE	USE TAX RATE	FOOD USE RATE
Bates City	03556	5.725%	2.725%
Brookfield	08650	6.975%	3.975%
Glendale	27334	5.475%	2.475%
Kirkwood	39044	5.475%	2.475%
Marston	46406	5.725%	2.725%
Weston	78856	6.850%	3.850%

Enclosed is a Use Tax Rate Table. This table will provide you with a listing of the Use Tax Rates.

If you have questions concerning use tax rates, please contact Wanda Cunningham or Julie Luebbering of the Tax Administration Bureau, Technical Support Section, P. O. Box 840, Jefferson City, Missouri 65105-0840, or telephone 573 751-2836, or me.

Sincerely,


Patricia L. Gifford
Manager
Sales/Use Tax

PLG:wc

**MISSOURI STATE AND LOCAL OPTION USE TAX RATES FOR THE MONTHS OF
OCTOBER, NOVEMBER, AND DECEMBER 1998**

PAGE 1 OF 3 PAGES

NAME	COUNTY	RATE	NAME	COUNTY	RATE
ADRIAN	BATES	4.725%	COLLINS	ST CLAIR	5.100%
ALTAMONT	DAVISS	5.725%	CONEY ISLAND	STONE	5.850%
AMAZONIA	ANDREW	5.725%	CORDER	LAFAYETTE	5.725%
AMORET	BATES	4.725%	COSBY	ANDREW	5.725%
AMSTERDAM	BATES	4.725%	COTTLEVILLE	ST CHARLES	5.725%
ANDREW COUNTY	ANDREW	5.725%	COUNTRY CLUB VILLAGE	ANDREW	5.725%
ARCOLA	DADE	5.225%	COURTOIS	WASHINGTON	6.225%
ARGYLE	MARIES	5.725%	COWGILL	CALDWELL	5.725%
ASH GROVE	GREENE	5.225%	CRANE	STONE	7.350%
AUGUSTA	ST CHARLES	5.725%	DADE COUNTY	DADE	5.225%
AVA	DOUGLAS	5.225%	DADEVILLE	DADE	5.225%
BAGNELL	MILLER	5.225%	DALTON	CHARITON	5.225%
BATES CITY	LAFAYETTE	5.725%	DARDENNE PRAIRIE	ST CHARLES	5.725%
BATES COUNTY	BATES	4.725%	DAVISS COUNTY	DAVISS	5.725%
BEL-NOR	ST LOUIS	4.725%	DE WITT	CARROLL	4.725%
BELGRADE	WASHINGTON	6.225%	DEARBORN	PLATTE	5.350%
BELLA VILLA	ST LOUIS	4.725%	DEEPWATER	HENRY	4.725%
BELLE	MARIES	5.725%	DEFIANCE	ST CHARLES	5.725%
BETHEL	SHELBY	5.725%	DES PERES	ST LOUIS	4.975%
BEVERLY	PLATTE	5.350%	DREXEL	BATES	4.725%
BLACK JACK	ST LOUIS	4.725%	DUNCANS BRIDGE	MONROE	5.225%
BLAIRSTOWN	HENRY	4.725%	DURHAM	LEWIS	5.725%
BLOOMFIELD	STODDARD	5.225%	EDGERTON	PLATTE	5.350%
BLUE EYE	STONE	5.850%	EDMUNDSON	ST LOUIS	5.475%
BOGARD	CARROLL	4.725%	ELDON	MILLER	5.225%
BOLCKOW	ANDREW	5.725%	ELSBERRY	LINCOLN	5.725%
BONA	DADE	5.225%	ELSTON	COLE	4.725%
BOSWORTH	CARROLL	4.725%	EMDEN	SHELBY	5.725%
BRANSON WEST	STONE	5.850%	ETTERVILLE	MILLER	5.225%
BRAYMER	CALDWELL	5.725%	EUGENE	COLE	4.725%
BRECKENRIDGE	CALDWELL	5.725%	EVERTON	DADE	5.225%
BRECKENRIDGE HILLS	ST LOUIS	4.475%	EWING	LEWIS	5.725%
BRINKTOWN	MARIES	5.725%	FARLEY	PLATTE	5.350%
BROOKFIELD	LINN	6.975%	FERRELVIEW	PLATTE	5.350%
BROWNING	LINN	6.225%	FILLMORE	ANDREW	5.725%
BROWNING	SULLIVAN	5.225%	FLINTHILL	ST CHARLES	5.725%
BROWNINGTON	HENRY	4.725%	FLORELL HILLS	ST LOUIS	4.725%
BRUMLEY	MILLER	5.225%	FLORIDA	MONROE	5.225%
BRUNSWICK	CHARITON	5.225%	FOREST GREEN	CHARITON	5.225%
BUCKLIN	LINN	6.225%	FORISTELL	ST CHARLES	7.225%
BUTLER	BATES	4.725%	FORISTELL	WARREN	5.725%
BYNUMVILLE	CHARITON	5.225%	FORT ZUMWALT	ST CHARLES	5.725%
CADET	WASHINGTON	6.225%	FOSTER	BATES	4.725%
CALDWELL COUNTY	CALDWELL	5.725%	FREMONT HILLS	CHRISTIAN	5.225%
CALEDONIA	WASHINGTON	6.225%	GALENA	STONE	5.850%
CALHOUN	HENRY	4.725%	GALLATIN	DAVISS	6.600%
CAMDEN POINT	PLATTE	5.350%	GEORGETOWN	PETTIS	4.725%
CAMERON	CLINTON	5.225%	GLASGOW	CHARITON	5.225%
CANTON	LEWIS	5.725%	GLENDALE	ST LOUIS	5.475%
CAPE FAIR	STONE	5.850%	GOWER	BUCHANAN	5.225%
CARROLL COUNTY	CARROLL	4.725%	GOWER	CLINTON	6.225%
CARROLLTON	CARROLL	4.725%	GRANTWOOD	ST LOUIS	4.725%
CARTERVILLE	JASPER	6.225%	GRAYSON	CLINTON	5.225%
CENTERTOWN	COLE	4.725%	GREEN RIDGE	PETTIS	4.725%
CHARITON COUNTY	CHARITON	5.225%	GREENFIELD	DADE	5.225%
CLARENCE	SHELBY	5.725%	HALE	CARROLL	4.725%
CLINTON	HENRY	4.725%	HAMILTON	CALDWELL	5.725%
CLINTON COUNTY	CLINTON	5.225%	HARVESTER	ST CHARLES	5.725%
COFFEY	DAVISS	5.725%	HAZELWOOD	ST LOUIS	4.725%
COLE COUNTY	COLE	4.725%	HELENA	ANDREW	5.725%

NAME	COUNTY	RATE
CLAY	CLAY	4.725%
HENRY COUNTY	HENRY	4.725%
HERMITAGE	HICKORY	5.725%
HIGH GATE	MARIES	5.725%
HOLLIDAY	MONROE	5.225%
HOLT	CLINTON	5.225%
HOLTS SUMMIT	CALLAWAY	6.225%
HOUSTON LAKE	PLATTE	5.350%
HOUSTONIA	PETTIS	4.725%
HOWARDVILLE	NEW MADRID	5.225%
HUGHESVILLE	PETTIS	4.725%
HUME	BATES	4.725%
HUNNEWELL	SHELBY	5.725%
HURLEY	STONE	5.850%
IATAN	PLATTE	5.350%
IBERIA	MILLER	5.225%
INDIAN POINT	STONE	5.850%
IRONDALE	WASHINGTON	6.225%
JAMESON	DAVISS	5.725%
JAMESPORT	DAVISS	5.725%
JEFFERSON CITY	COLE	4.725%
JOSEPHVILLE	ST CHARLES	5.725%
KAISER	MILLER	5.225%
KANSAS CITY	CASS	5.725%
KANSAS CITY	CLAY	5.725%
KANSAS CITY	JACKSON	5.725%
KANSAS CITY	PLATTE	6.850%
KEYTESVILLE	CHARITON	5.225%
KIDDER	CALDWELL	5.725%
KIMBERLING CITY	STONE	7.850%
KINGSTON	CALDWELL	5.725%
KIRKWOOD	ST LOUIS	5.475%
KNOB NOSTER	JOHNSON	6.225%
LA BELLE	LEWIS	5.725%
LA GRANGE	LEWIS	5.725%
LA MONTE	PETTIS	4.725%
LACLEDE	LINN	5.225%
LAKE OZARK	MILLER	5.225%
LAKE ST LOUIS	ST CHARLES	5.725%
LAKE WAUKOMIS	PLATTE	5.350%
LAKELAND	MILLER	5.225%
LAKENAN	SHELBY	5.725%
LAKESIDE	MILLER	5.225%
LAKEVIEW	MILLER	5.225%
LAMPE	STONE	5.850%
LATHROP	CLINTON	5.225%
LEADINGTON	ST FRANCOIS	6.225%
LENTNER	SHELBY	5.725%
LEONARD	SHELBY	5.725%
LEWIS COUNTY	LEWIS	5.725%
LEWISTOWN	LEWIS	5.725%
LILBOURN	NEW MADRID	5.225%
LINCOLN	BENTON	5.725%
LINN COUNTY	LINN	5.225%
LINN CREEK	CAMDEN	5.725%
LINNEUS	LINN	5.225%
LOCK SPRINGS	DAVISS	5.725%
LOCKWOOD	DADE	6.225%
LOHMAN	COLE	4.725%
LOWRY CITY	ST CLAIR	5.225%
MADISON	MONROE	5.225%
MAPLEWOOD	ST LOUIS	5.475%
MARCELINE	CHARITON	5.225%
MARCELINE	LINN	5.225%
MARIES COUNTY	MARIES	5.725%

NAME	COUNTY	RATE
MARION	COLE	4.725%
MARSTON	NEW MADRID	5.225%
MARTHASVILLE	WARREN	5.225%
MARYS HOME	MILLER	5.225%
MATSON	ST CHARLES	5.725%
MAYWOOD	LEWIS	5.725%
MCCORD BEND VILLAGE	STONE	5.850%
MEADVILLE	LINN	5.225%
MENDON	CHARITON	5.225%
MERWIN	BATES	4.725%
MIDDLE GROVE	MONROE	5.225%
MILLER COUNTY	MILLER	5.225%
MINER	SCOTT	6.225%
MINERAL POINT	WASHINGTON	6.225%
MIRABILE	CALDWELL	5.725%
MONROE CITY	MONROE	5.225%
MONROE COUNTY	MONROE	5.225%
MONTICELLO	LEWIS	5.725%
MONTROSE	HENRY	4.725%
NAYLOR	RIPLEY	6.225%
NETTLETON	CALDWELL	5.725%
NEW BOSTON	LINN	5.225%
NEW COURT VILLAGE	LEWIS	5.725%
NEW MADRID	NEW MADRID	5.225%
NEW MARKET	PLATTE	5.350%
NEW MELLE	ST CHARLES	6.725%
NODAWAY	ANDREW	5.725%
NORBORNE	CARROLL	4.725%
NORTHMOOR	PLATTE	5.350%
O'FALLON	ST CHARLES	5.725%
OAKVIEW	CLAY	5.725%
OLD MINES	WASHINGTON	6.225%
OLEAN	MILLER	5.225%
OLIVETTE	ST LOUIS	4.975%
ORCHARD FARM	ST CHARLES	5.725%
OSAGE BEACH	MILLER	5.225%
OSAGE BEND	COLE	4.725%
OSAGE CITY	COLE	4.725%
OSBORN	CLINTON	5.225%
PARIS	MONROE	5.225%
PARKVILLE	PLATTE	5.350%
PARMA	NEW MADRID	5.225%
PASADENA HILLS	ST LOUIS	4.725%
PASSAIC	BATES	4.725%
PATTONSBURG	DAVISS	6.725%
PEERLESS PARK	ST LOUIS	4.975%
PENNSBORO	DADE	5.225%
PERUQUE	ST CHARLES	5.725%
PETTIS COUNTY	PETTIS	4.725%
PILOT GROVE	COOPER	5.725%
PINEVILLE	MCDONALD	5.725%
PLATTE CITY	PLATTE	5.350%
PLATTE COUNTY	PLATTE	5.350%
PLATTE WOODS	PLATTE	5.350%
PLATTSBURG	CLINTON	5.225%
PLEASANT HOPE	POLK	5.225%
POLO	CALDWELL	5.725%
PONCE DE LEON	STONE	5.850%
PORTAGE DES SIOUX	ST CHARLES	5.725%
POTOSI	WASHINGTON	6.225%
PRAIRIE HILL	CHARITON	5.225%
PURDIN	LINN	5.225%
REA	ANDREW	5.725%
REEDS SPRING	STONE	5.850%
RICH HILL	BATES	4.725%
RICHWOODS	WASHINGTON	6.225%

MISSOURI STATE AND LOCAL OPTION USE TAX RATES FOR THE MONTHS OF
OCTOBER, NOVEMBER, AND DECEMBER 1998

PAGE 3 OF 3 PAGES

NAME	COUNTY	RATE	NAME	COUNTY	RATE
RIDGELEY	PLATTE	5.350%	WARDSVILLE	COLE	4.725%
RIVERSIDE	PLATTE	6.350%	WARRENSBURG	JOHNSON	5.725%
RIVERVIEW	ST LOUIS	4.725%	WASHINGTON	FRANKLIN	5.725%
ROCK PORT	ATCHISON	5.725%	WASHINGTON COUNTY	WASHINGTON	6.225%
ROCKVILLE	BATES	4.725%	WEATHERBY LAKE	PLATTE	5.350%
ROSENDALE	ANDREW	5.725%	WELDON SPRING	ST CHARLES	5.725%
ROTHVILLE	CHARITON	5.225%	WELDON SPRINGS HGTS	ST CHARLES	5.725%
RUSSELLVILLE	COLE	4.725%	WENTZVILLE	ST CHARLES	7.225%
SALISBURY	CHARITON	5.225%	WEST ALTON	ST CHARLES	5.725%
SANTA FE	MONROE	5.225%	WESTON	PLATTE	6.850%
SAVANNAH	ANDREW	5.725%	WESTPHALIA	OSAGE	5.225%
SEDALIA	PETTIS	4.725%	WIEN	CHARITON	5.225%
SHELBY	SHELBY	5.725%	WILLARD	GREENE	5.725%
SHELBY COUNTY	SHELBY	5.725%	WILLIAMSTOWN	LEWIS	5.725%
SHELBYVILLE	SHELBY	5.725%	WINDSOR	HENRY	4.725%
SILEX	LINCOLN	5.225%	WINDSOR	PETTIS	4.725%
SILVER DOLLAR CITY	STONE	5.850%	WINSTON	DAVISS	5.725%
SMITHTON	PETTIS	4.725%	WOODLAND PARK	MILLER	5.225%
SMITHVILLE	CLAY	5.725%	WOODS HEIGHTS	RAY	5.225%
SOUTH GREENFIELD	DADE	5.225%	WOODSON TERRACE	ST LOUIS	4.975%
SOUTH WEST CITY	MCDONALD	5.725%			
SPRINGFIELD	GREENE	5.600%			
ST ANTHONY	MILLER	5.225%			
ST CATHARINE	LINN	5.225%			
ST CHARLES	ST CHARLES	5.725%			
ST CHARLES COUNTY	ST CHARLES	5.725%			
ST ELIZABETH	MILLER	5.225%			
ST MARTINS	COLE	4.725%			
ST PAUL	ST CHARLES	5.725%			
ST PETERS	ST CHARLES	5.725%			
ST THOMAS	COLE	4.725%			
STE GENEVIEVE	STE GENEVIEVE	6.225%			
STEFFENVILLE	LEWIS	5.725%			
STET	CARROLL	4.725%			
STOCKTON	CEDAR	6.225%			
STONE COUNTY	STONE	5.850%			
STOUTSVILLE	MONROE	5.225%			
SUGAR CREEK	CLAY	5.225%			
SUGAR CREEK	JACKSON	5.225%			
SUNNER	CHARITON	5.225%			
SUNRISE BEACH	CAMDEN	5.225%			
SUNRISE BEACH	MORGAN	5.225%			
TAOS	COLE	4.725%			
TIFF	WASHINGTON	6.225%			
TIGHTWAD	HENRY	4.725%			
TINA	CARROLL	4.725%			
TRACY	PLATTE	5.350%			
TRIMBLE	CLINTON	5.225%			
TRIPLETT	CHARITON	5.225%			
TURNERY	CLINTON	5.225%			
TUSCUMBIA	MILLER	5.225%			
ULMAN	MILLER	5.225%			
UNIVERSITY CITY	ST LOUIS	4.725%			
UPLANDS PARK	ST LOUIS	4.725%			
URICH	HENRY	4.725%			
VICHY	MARIES	5.725%			
VIENNA	MARIES	7.225%			
VINITA PARK	ST LOUIS	4.725%			
WAKENDA	CARROLL	4.725%			
WALDRON	PLATTE	5.350%			
			* ALL OTHER CITIES AND COUNTIES		4.225%

UNITED STATES CONSTRUCTION INC

GENERAL CONTRACTOR • COMMERCIAL • INDUSTRIAL

913/282-4484
FAX 913/282-3208
5845 Horton • Suite 203
Mission, KS 66202-2610

February 1, 1999

The Honorable David Adkins
Chairman, House Taxation Committee
State House
Topeka, KS 66612

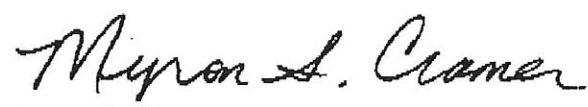
Dear Chairman Adkins and Committee Members:

We are writing to express our strong support for House Bill 2059, repealing the state sales tax on labor services used in commercial remodeling.

We are members of the Greater Kansas City Chamber of Commerce. We do work for customers with offices in Kansas and Missouri. We have met with much displeasure from our customers that we have to charge and pay sales tax on labor in Kansas, but not in Missouri. It is our opinion that this tax is neither fair or equitable to our company or to our customers.

We would be pleased to see House Bill 2059 pass to repeal this unfair tax situation. Thank you for your consideration.

Very Sincerely,



Myron S. Cramer
President

/jlh

E:\works\janel\commtax

HOUSE TAXATION
2-3-99
Attachment 29
P.02



EXECUTIVE DIRECTOR
JIM SHEEHAN
Shawnee Mission

OFFICERS

PRESIDENT
DUANE CROSIER
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ARNIE GRAHAM
Emporia

ASST. TREASURER
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Shawnee Mission

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BILL WEST
Abilene

DIRECTOR OF
GOVERNMENTAL AFFAIRS

FRANCES KASTNER

HOUSE TAXATION

SUPPORTING HB 2059

2-3-99

Thank you for the opportunity to share our views with you concerning the exemption of sales tax from labor involved in remodeling, renovation, repair, or construction of all buildings.

We sincerely believe this is an giant economic step in allowing our members to make more needed improvements, and expand their construction budgets. Often it is difficult for a grocer to do the modifications they desire because their budget can only be stretched so far.

Eliminating the sales tax on labor for those projects will give businesses an incentive to make the expansion or modification they have possibly been putting off. This in turn is an economic boon to the community and the state.

We see only good things coming from this exemption, and ask that you recommend HB 2059 for passage.

Frances Kastner, Director
Governmental Affairs

Don Snodgrass
Lobbyist

HOUSE TAXATION
2-3-99

Attachment 30



CITY OF
WICHITA

TESTIMONY

to

**House Committee on Taxation
February 3, 1999**

House Bill 2059

Sales Tax on Labor Services for Commercial Remodeling

The City of Wichita supports repeal of the sales tax on labor services used in commercial remodeling. Removing the sales tax on remodeling commercial buildings and facilities will take away the economic penalty paid by people who restore, rebuild and reuse existing buildings.

The Wichita City Council is convinced repealing the sales tax on labor used in commercial remodeling projects will help save inner city neighborhoods and decaying downtowns and benefit historic preservation efforts.

The City Council realizes elimination of this tax has a cost to both the State and City treasuries. But, there is a strong belief those revenues will be replaced and exceeded by tax revenues created by the new renovation projects, the new businesses, the new jobs and the positive economic impacts repeal of this sales tax will have.

In 1995, the Legislature repealed the sales tax on labor used in new construction. In 1998, the sales tax on labor used in residential remodeling was repealed. Repealing the sales tax on labor used in commercial remodeling is a logical step in the Legislature's continuing goal of tax fairness and equity.

Mike Taylor

Government Relations Director

City of Wichita

*HOUSE TAXATION
2-3-99
ATTACHMENT 31*



February 3, 1999

The Honorable David Adkins
Chairman, House Taxation Committee
State House
Topeka, KS 66612

Dear Chairman Adkins and Members of the Committee:

As chairman of the chamber's State/Federal Affairs Task Force, I am writing to express the chamber's support for HB 2059, which would exempt from sales tax all remodeling construction labor services on commercial property.

Sales tax on commercial remodeling labor is an important concern of chamber members. First, the substantial savings produced by an exemption would assist businesses in growing areas, where buildings frequently undergo renovations and tenant finishes, as well as encourage preservation and revitalization of maturing commercial developments. These investments ultimately benefit state and local economies and maintain existing infrastructure -- public policy goals that should be promoted.

Second, the current sales tax on commercial remodeling labor hurts marketplace competitiveness. All but a few states in the nation have eliminated sales tax on remodeling construction labor, including Kansas' neighboring states. Businesses, remodelers, and commercial space in Kansas are all at a competitive disadvantage in relation to states that do not impose the sales tax. For example, a company relocating to the Kansas City area may choose a building in Missouri instead of Kansas to save on remodeling costs, and money an expanding Kansas company might otherwise invest in employees or new machinery may have to be spent on remodeling expenses.

Further, because of difficulty in distinguishing what labor services are taxable and how the law is to be administered, remodeling sales tax is very difficult to enforce. Contractors who pay the tax diligently are further disadvantaged in relation to contractors who do not.

Third, sales tax on labor used in original construction (1995) and in residential remodeling (1998) has already been exempted. Commercial remodeling labor is now the only construction service in Kansas that still must assess sales tax. Fairness requires that this inequity be addressed.

For these reasons, the chamber respectfully urges the House Taxation Committee to recommend HB 2059 favorably for passage. Thank you for your time and consideration.

Sincerely,

A handwritten signature in cursive script that reads "G. Eugene Troehler".

G. Eugene Troehler
Chairman, State/Federal Affairs Task Force

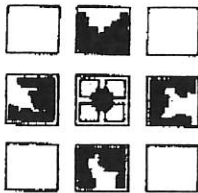
10975 BENSON ■ SUITE 350 ■ OVERLAND PARK, KANSAS 66210 ■ P.O. BOX 12125 ■ OVERLAND PARK, KANSAS 66202-2125

913.491.3600 ■ FAX 913.491.0393 ■ INTERNET: <http://www.opchs.org/>

HOUSE TAXATION
2-3-99

Attachment 32





KANSAS DOWNTOWN DEVELOPMENT ASSOCIATION

P.O. BOX ~~2036~~ 384
TOPEKA, KANSAS 66601

FAX TRANSMITTAL

TO: HOUSE TAXATION COMMITTEE
ATTENTION: REPRESENTATIVE DAVID ATKINS OR MARY SHAW
FAX: 785-368-6365

FROM: KANSAS DOWNTOWN DEVELOPMENT ASSOCIATION
RONDA BARRY, PRESIDENT *Ronda Barry*
PHONE: 913-642-2222; FAX-913-642-2296

DATE: 2 FEBRUARY, 1999

RE: HOUSE BILL 2059 - An Act relating to sales taxation; exempting certain construction labor services; amending K.S.A 1998 Supp. 79-3603 and repealing the existing section.

The Kansas Downtown Development Association (KDDA) was formed in 1981 as a non-profit organization designed to serve as the advocate for downtown revitalization in Kansas and to work with the Kansas Main Street Program (of the Community Development Division of the Kansas Department of Commerce and Housing) to facilitate the development of downtowns in Kansas. We are a membership-based organization currently representing thirty-eight Kansas cities ranging from small rural communities to urban metropolitan areas. KDDA seeks legislation and programs that enhance the development of downtown business districts as a major segment of any economic development program on the state or local level.

Historic commercial buildings are the foundation on which to build and maintain economically viable downtowns. Given the potential impact on investment in downtown business districts, Kansas Downtown Development Association supports HB 2059 which proposes to eliminate the existing 4.9% sales tax on labor services in connection with construction, reconstruction, restoration or remodeling, renovation or repair of a building or facility...

The exemption of construction-related labor services from the sales tax could serve as a stimulus for the restoration and remodeling of existing commercial buildings that comprise the vast majority of Kansas' downtowns. Additionally, the equal treatment of renovation of existing buildings and new construction would help to render a level playing field, providing local development efforts an added incentive for continued reinvestment in our older commercial buildings.

In summary, we urge your support and passage of HB 2059 due to its potential as an incentive for development of existing commercial buildings. Thank you for your consideration.

*HOUSE TAXATION
2-3-99*

KANSAS
BUILDING INDUSTRY
ASSOCIATION, INC.

OFFICERS

President
MICHAEL STIBAL
8112 E. Greenbriar
Wichita, Ks 67226
316-686-3984
Fax 316-691-5894

Vice President
JOHN YOUNG
1125 Garden Way
Manhattan, Ks 66502
785-539-4687
Fax 785-539-6419

Treasurer
DAVID REYNOLDS
1017 Wildwood Dr.
Lawrence, Ks 66046
785-832-1414
Fax 785-832-0711

Secretary
JEFF SCHROCK
P.O. Box 1158
Hutchinson, Ks 67604
316-663-3393
Fax 316-663-5089

H.B.A. ASSOCIATIONS
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Hutchinson
Lawrence
Manhattan
Salina
Topeka
Wichita

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Warren Schmidt 1966
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Dick Mika 1971-72
Terry Messing 1973-74
Denis C. Stewart 1975-76
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R. Bradley Taylor 1978
Joel M. Pollack 1979
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Harold Warner, Jr. 1984
Joe Pashman 1985
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M.S. Mitchell 1988
Robert Hogue 1989
Jim Miner 1990
Elton Parsons 1991
Vernon L. Weis 1992
Gilbert Bristow 1993
James D. Peterson 1994
Tom Ahlf 1995
R. Neil Carlson 1996
Roger Schultz 1997
John Samples 1998

HOUSE TAXATION COMMITTEE
HB 2059
February 3, 1999

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

My name is Janet Stubbs, Executive Director of the Kansas Building Industry Association, representing approximately 1400 residential and light commercial construction industry companies statewide. We ask that you please consider this our written testimony as support for passage of HB 2059.

KBIA supports repeal of the sales tax on labor, overhead and profit for all construction activities of all types and sizes. Kansas businesses and contractors can be competitive with adjacent states and obtain the economic benefits of increased employment and taxes gathered from construction only when these taxes are removed.

We urge you to repeal the tax on remodeling for commercial construction just as you have done for residential remodeling.

Thank you for your consideration.

HOUSE TAXATION
2-3-99
Attachment 34



1999
Statement
of Policy
on
Legislative
Issues

KBIA

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Mission Statement

As an industry, KBIA supports legislation and policy which perpetuates the free enterprise system and promotes a vigorous economic climate in Kansas and the Nation. Affordability in Housing is our major goal. There are, however, unintended consequences from legislative and regulatory actions which are counter to that goal and directly increase the cost of homebuilding without direct benefit to the home owner. Traditionally the home building industry drives the economy. In Kansas, homebuilding is dependent on industry and commerce to create jobs for workers who buy the products of the building industry.

Therefore, legislation and policy which promotes Affordability in Housing and encourages and fosters industry and commerce in Kansas is the mission of the Legislative Affairs Committee of the Kansas Building Industry Association.

Impact and Excise Fees/Taxes

KBIA will work to introduce and obtain passage of legislation requiring local governments to conduct a fiscal impact study, and provide for public comment thereon, before adopting any fees or taxes which are levied on only new residential properties. The evaluation procedure must include the compilation of projected revenue derived from the planning, design, construction and occupation of new residential properties from all sources of revenue such as, but not limited to, property taxes, local sales taxes, franchise taxes, fuel taxes and motor vehicle taxes. Before any excise or impact tax or fee can be imposed on new residential properties, a comparison of the revenue from these sources, with the cost of providing infrastructure and routine municipal services, must show the amount, if any, required to balance those projected costs with the projected revenues from such new residential properties.

Workers Compensation

KBIA will work with interested groups to introduce and obtain passage of legislation which corrects flaws in the present Workers Compensation law to assure that each employer provides Workers Compensation coverage for the employees of his business. KBIA believes that strict guidelines need to be adopted to prevent abuse of the system by those claiming injury without employer notification at the time of injury and/or first treatment. KBIA further believes that for improved worker safety, drug testing should be mandatory for all work related emergency medical treatment with positive results initiating the statutory process for denial of coverage under Workers Compensation.

Taxation

KBIA supports the concept of limiting the growth of state tax revenue to the growth of personal income and will work for a state finance system which rewards legislative and administrative reductions in spending, instead of basing new budgets on a percentage increase over previous spending. An audit of programs and expenditures for each taxing authority, such as the concept of justifying every program every year, should be made available for public study and comment prior to adoption of tax supported budgets.

Appraisal Of Real Property

KBIA supports implementation of a uniform and industry acceptable valuation of real property in every Kansas county. Valuations must be kept current by professionals not tempted to improve the revenues of the taxing authorities for which they work. KBIA opposes any attempt to remove the use-value method of valuation of land platted for development currently in agricultural use, or retroactively imposing a tax on that property once it is developed. KBIA endorses payment of interest of disputed taxes if the landowner prevails in the appeal process.

Planning and Zoning

KBIA supports the concept of Home Rule authority of local planning and zoning regulations as provided in state statutes. KBIA is concerned that some local governments are incorrectly interpreting those statutes to give them authority over the regulation of land use far beyond the intent of the Kansas Legislature. KBIA will work with interested parties to amend the planning and zoning statutes to clarify this issue.

Unemployment Compensation

KBIA applauds those whose actions have resulted in a reduction of the overall cost of administering the Fund to reduce abuse by the workforce and to continue the moratorium. We urge continued study of the relationship of the Reserve to Benefit ratio method of calculation of charges to employers.

Sales Tax Exemption

KBIA supports repeal of the sales tax on labor, overhead and profit for all construction activities of all types and sizes. Kansas can be competitive with adjacent states and obtain the economic benefits of increased employment and taxes gathered from construction only when these taxes are removed.

Retail Wheeling

As an advocate of State's Rights, KBIA opposes any Federal intervention into the regulation of utilities. We will work to defeat any attempt to charge the cost of utility infrastructure to the building industry rather than include those costs in the rate structure of the regulated utilities.

Privatization

A great deal has been written about the movement to give the private sector opportunity to provide necessary services and products to the tax paying public. Those segments of Kansas governmental services which have been moved into the private sector for implementation should be supported and extended. An example of privatization which the building industry will work for is the privatization of infrastructure design for subdivisions and performance based building standards. Examples are design-build streets, sewers, drainage and utilities where the developer has complete responsibility for infrastructure installation up to the point of a single inspection and acceptance by the governing body, and use of private building and codes inspectors who would certify that provisions of the applicable codes have been met prior to certification by the governing body. KBIA pledges to work with any group to pursue such initiatives.

Sales Tax Exemption for Contractor Installed Infrastructure

KBIA supports legislation exempting from sales tax that material purchased by a contractor to construct streets and other facilities in a platted subdivision which will be dedicated to a city or county government.

Unfair Competition

KBIA supports legislation which prohibits state controlled utilities from engaging in unfair practices in the retailing, installation and servicing of equipment, appliances and security systems. We will oppose any initiative whereby governmental agencies propose to charge businesses for records which have been collected, assembled and stored at public expense for public use.

Excavation Safety

KBIA supports implementation of increased regulative oversight to insure proper installation of all underground utilities by the owner of the facility thus permitting accurate marking of such lines by the utilities when it is necessary to excavate for future projects in the area. Under current circumstances, an excavator is required to call KAN-DIG to notify of his intentions to excavate, but is often not given a list of all nonmember underground utility companies which may have facilities in the area of a contractor's worksite, leaving the contractor vulnerable to damage claims or possible injuries. If financial responsibility is to be assessed in the event of damage or work stoppage, it should be equally applicable to either the utility responsible for the inaccurate installation or marking of an underground facility, or a negligent excavator whose action damages an accurately marked and installed facility.