

Approved: 2-9-99  
Date

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson Senator Audrey Langworthy at 11:08 a.m. on February 3, 1999, in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department  
April Holman, Legislative Research Department  
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Bob Vancrum, Midland Properties  
Shirley Sicilian, Kansas Department of Revenue  
Janice Barton, Kansas Academy of Science  
David Saunders, Kansas Academy of Science  
Lawrence Skelton, Kansas Academy of Science

Others attending: See attached list.

The minutes of February 1 and February 2, 1999, were approved.

Bob Vancrum, representing Midland Properties, requested the introduction of a bill concerning treatment of tax credits allowed by other states for purposes of computing Kansas residence tax liability. The Revisor's office will have the bill draft completed soon.

Senator Steffes moved to introduce the bill, seconded by Senator Corbin. The motion carried.

Shirley Sicilian, Kansas Department of Revenue, requested the introduction of a bill requested by the Interim Joint Committee on Economic Development. The interim Committee requested that the Department form a working group to review issues surrounding the difficulties the Department is having with contractors and retailers. Exempt entities are experiencing confusion as to when to use and when not to use their project exemptions. The Department working group developed statutory recommendations which are in the bill.

Senator Donovan moved to introduce the bill, seconded by Senator Praeger. The motion carried.

On behalf of Senator Hensley, Senator Lee moved to introduce a committee bill which would allow a \$1,000.00 income tax credit for Kansas foster families who are foster families for a full year, seconded by Senator Praeger. The motion carried.

The bill will not be introduced by the Committee if Senator Hensley wishes to introduce it as an individual.

Senator Langworthy requested the reintroduction of former **SB 7** which deals with the tax lid, adding a suspension of the fund levy limits.

Senator Bond moved to introduce the bill, seconded by Senator Hardenburger. The motion carried.

Senator Donovan moved to introduce a teacher tax credit bill which provides that any teacher in a public or private school, who spends their own funds for teaching aids and supplies in the classroom, can apply for an income tax credit not to exceed \$200.00, seconded by Senator Steffes. The motion carried.

Senator Bond moved to introduce a bill regarding a tax roll back issue previously considered. The bill provides that, without adoption of a resolution so providing, the governing body of any taxing subdivision shall not approve any appropriation which is to be funded by revenue produced from property taxes, and which provides for funding with such revenue in an amount exceeding that of the next preceding year except with regard to revenue produced and attributable to the taxation of new or new improvements to property. Senator Corbin seconded the motion. The motion carried.

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE, Room 519-S Statehouse,  
at 11:08 a.m. on February 3, 1999.

**SB 116--Sales taxation; exempting purchases of the Kansas Academy of Science.**

Janice Barton, a professor at Washburn University and current treasurer of the Kansas Academy of Science (KAS), testified in support of **SB 116**. She explained that, as of 1992, KAS is required to pay sales tax on the cost of publishing the *Transactions*, its scholarly scientific journal, and the *Bulletin*, its official newsletter. Since June of 1993, KAS has unsuccessfully engaged in the process of petitioning the Department of Revenue for relief from the burdensome sales tax on the basis that KAS is an educational scientific organization and an extension of the colleges and universities of Kansas. Ms. Barton noted that, although the sales tax KAS pays is not a significant dollar amount to the State of Kansas, it is a financial burden to KAS. (Attachment 1)

In answer to questions from Senator Bond, Ms. Barton clarified that, if one is a member of KAS and pays the dues, one gets a copy of *Transactions* and the *Bulletin* at no additional cost. The publication is not sold to the general public but is received by members only and by libraries which are members.

Senator Steffes questioned Ms. Barton regarding the amount of the dues, suggesting that the dues could be increased to cover the cost of the sales tax on the publications. Ms. Barton responded that KAS raised its dues by \$5.00 from 1997 to 1998, and 70 faculty and student memberships were lost, perhaps due to the increase in dues.

Senator Lee asked why KAS was required to pay sales tax after 1992. Ms. Barton said it was due to K.A.R. 92-17-75, which tightens the rules on what is an educational institution or organization for tax exemption purposes. She added that KAS is a federally tax exempt institution.

David Saunders, professor of biology at Emporia State University and past president of KAS, testified in support of **SB 116**. Mr. Saunders discussed the purpose of KAS and the composition of its membership. He also outlined the events sponsored by KAS which benefit the people of Kansas on many levels. He believes KAS plays a vital role in the training of the state's next generation of scientists, in educating its young people, and in the promotion of Kansas natural history. In closing, he said the sales tax on KAS is slowing eroding its ability to continue to provide the benefits to Kansans he outlined. (Attachment 2)

Senator Lana Oleen followed with further testimony in support of **SB 116**. She noted that Kansas has a long-standing tradition of not taxing educational services and opportunities. She explained that, until July 1, 1998, it was believed that the sales tax exemption for KAS was included in the sales tax exemption legislation passed last year. When the Department of Revenue was asked for an interpretation as to if KAS could be included for a sales tax exemption, it concluded, because KAS was not specifically identified in the statute, it became a policy issue. The Department felt a determination needed to be made by the Legislature as to if the KAS publication is educational and if it involves the promotion of educational opportunity. Senator Oleen believes that KAS falls under the definition of an educational service.

Lawrence Skelton, editor of the *KAS Bulletin*, informed the Committee that KAS has been in continuous existence since its founding in Topeka on September 1, 1868, and is the second oldest such institution in the nation. He gave an account of the history of KAS, noting its locations, describing legislation passed relating to it, and the problems it has encountered over the years. In conclusion, he noted that during its existence, KAS has published more than 3,500 scientific papers covering topics from A to Z, and many of the papers presented research by student scientists who continued their endeavors and became well known. Mr. Skelton said KAS will continue to be a Kansas asset and asked for the Committee's help by supporting **SB 116**. (Attachment 3)

Senator Bond confirmed that the request by KAS for a sales tax exemption is only in connection with their publications. He noted that the language of the amendment is more broadly written as it states, "all sales of tangible personal property and services purchased." Senator Bond was concerned that others might want to use the same language for purchases not intended by that language. He felt the language should relate to the specific purpose--a sales tax exemption for KAS publications. Senator Langworthy noted that the revisor

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE, Room 519-S Statehouse, at 11:08 a.m. on February 3, 1999.

assigned to the Committee was not present to discuss amending the claim; therefore, the Committee will discuss amending the bill at a future meeting. With this, the hearing on **SB 116** was closed.

**Action on bills previously heard:**

**SB 44—Income taxation; concerning the credit for property tax paid upon certain commercial and industrial machinery and equipment.**

Senator Langworthy reminded the Committee that **SB 44** is the bill that provides an income tax credit equal to 20 percent of the total property taxes levied on commercial and industrial machinery and equipment. She recalled that similar legislation was passed last year at 15 percent.

Senator Bond moved to report **SB 44** as favorable for passage, seconded by Senator Hardenburger. The motion carried.

**SB 124—Property taxation; concerning the adult care home exemption.**

Senator Langworthy reminded the Committee that the hearing on **SB 124** was held at the last meeting.

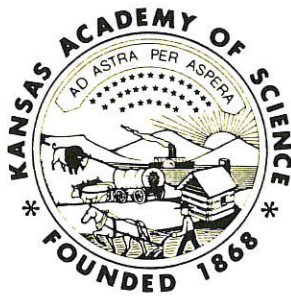
Senator Hardenburger noted that a mistake in the dates was made when the bill was drafted.

Senator Hardenburger moved to amend **SB 124** to correct the date to read December 31, 1996, and to report it as favorable for passage as amended, seconded by Senator Praeger. The motion carried.

The meeting was adjourned at 11:55 a.m.

The next meeting is scheduled for February 4, 1999.





Honorable Senator Audrey Langworthy  
Chairperson, Assessment and Taxation Committee  
Kansas State House  
Topeka, KS 66612

Senator Langworthy, ladies and gentlemen of the Assessment and Taxation Committee, I am Janice Barton of Topeka, the current treasurer and a former president of the Kansas Academy of Science (KAS). Thank you for this opportunity to talk to you about Senate Bill S116. My remarks will address primarily the financial impact of the sales tax on the KAS.

In 1992, the KAS began paying sales tax on the cost of publishing the *Transactions*, its scholarly scientific journal, and the *Bulletin*, its official newsletter. Since June 1993, the KAS has been engaged in the process of petitioning the Kansas Department of Revenue for relief from the burdensome sales tax on the basis that the KAS is an educational scientific organization and an extension of the colleges and universities of Kansas. A very brief history of the process may be helpful. The initial petition for a sales tax exemption to the Tax Policy Group was denied 1993. Appeal of that decision was followed by an evidentiary hearing conducted by the Kansas Department of Revenue before an Administrative Law Judge in 1995. In 1996, the Final Order (for the evidentiary hearing) of the Director of Taxation denied the KAS appeal. Unfortunately, for some unknown reason, the Final Order was not received until after the deadline for appeal of the ruling had expired. In August 1998, a private letter ruling was requested from the Office of Policy and Research of the Kansas Department of Revenue. The denial of the tax waiver in that private letter asserted the KAS exemption is a political decision for the legislature. Having exhausted all other appeals, KAS respectfully requests your support to exempt it from paying sales tax for production of its publications.

During the past three years (1996 - 1998), the KAS has on average expended 99% of its income to publish the *Transactions*. The sales tax was an additional expenditure, which averaged \$ 1060 and amounted to 7.9% of income. For the previous two years, the sales tax represented 9 % of income. The three year financial summary included in this presentation also reveals a substantial deficit for 1996 and 1997. The sales tax and *Transactions* contributed significantly to the deficit, with the sales tax comprising about 25%. To put its financial affairs in order, the KAS made a deliberate decision to decrease the number of pages published in the *Transactions* and increase the membership dues to lessen the impact of the tax on the budget and enhance KAS solvency. As a result, the KAS finished 1998 with a small positive balance of \$ 260. A sales tax of \$ 1000 is a significant strain on the financial viability of the KAS and increases the pressure for raising membership fees, which the Academy strives to minimize to the benefit of the Kansas' students and faculty. Every dollar of sales tax is one less the KAS can expend for its publications and other educational activities.

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Attachment 1

KAS FINANCIAL RECORDS 1996 through 1998

	1996	1997	1998	TOTAL	Average	%Income
INCOME	9685	17460	13151	40296	13432	
DEBIT	14674	21693	12891	49258	16419	
Transactions	10262	19145	10453	39860	13287	
Sales Tax	1108	1339	732	3179	1060	7.9

The 131 year old Kansas Academy of Science exists to promote education and interest in science and to disseminate scientific information and concepts on a multi-disciplinary basis for the benefit of students and faculty throughout the State of Kansas. It provides a unique service to the state and the educational institutions of the State of Kansas. Although not particularly significant in dollar amount to the State of Kansas, the sales tax is a financial burden to the KAS, a venerable institution and Kansas asset. The KAS respectfully requests your support for Senate Bill 116 to lift the financial burden by providing a sales tax exemption. Thank you for this opportunity to address this committee.

Testimony of Janice S. Barton  
 Treasurer, Kansas Academy of Science  
 February 3, 1999



**Honorable Senator Audrey Langworthy**  
**Chairperson, Assessment and Taxation Committee**  
**Kansas State House**  
**Topeka, KS 66612**

**SENATE BILL #116**

Chairperson Langworthy and distinguished members of the Assessment and Taxation Committee, I am David Saunders, recent past president of the Kansas Academy of Sciences. Thank you for allowing me the opportunity to address you regarding Senate Bill #116. Having been profoundly influenced by the Kansas Academy of Science as a student and member of the organization since 1986, I am speaking today in favor of a tax-exempt status for the Kansas Academy of Science.

The Kansas Academy of Sciences (KAS) is an organization composed of scientists from around the state of Kansas and encompasses many different disciplines such as biology, chemistry, geology, geography and physics just to name a few. The Kansas Academy of Sciences has throughout its existence promoted education and interest in science and has been involved providing the state of Kansas with a technically and scientifically trained work force. The KAS continues with this proud tradition today. The efforts of the KAS benefit the people of Kansas on many levels.

1) The KAS sponsors the annual Kansas Academy of Sciences meeting which attracts approximately 200 scientists, students, and secondary education teachers from around the state of Kansas and surrounding states. These meetings are held on the various campuses of Kansas colleges and universities. The KAS annual meeting provides scientists in Kansas and surrounding states the opportunity to interact with one another and helps to foster collaboration. In addition, it provides the opportunity for scientists in Kansas and surrounding states to share their discoveries with other scientists, students, and teachers that attend the annual meeting. Another major benefit of the KAS annual meeting is that it provides graduate and undergraduate students the opportunity to participate in a professional conference and experience the importance of presenting their research to the scientific community at large. This is particularly important in the training and education of the next generation of scientists. Lastly, the annual meeting allows faculty and students to receive professional feedback regarding their research studies.

2) The KAS sponsors and supports the scientific publication, *The Transactions of the Kansas Academy of Science*. This provides an additional outlet for dissemination of research results by science faculty and students from the state of Kansas as well as the surrounding states. In addition, it provides scientists in Kansas the opportunity to keep abreast of the scientific investigations undertaken by their colleagues at other institutions. *The Transactions of the Kansas Academy of Science* strongly encourages the submission of research studies performed by graduate and undergraduate students for publication. Students benefit significantly from the experience of communicating their work in peer-reviewed journals, making them more marketable, more mature, and more experienced.

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3) The KAS also sponsors the Kansas Junior Academy of Sciences (KJAS). The Kansas Junior Academy of Sciences works very similarly to that of the KAS, except that is designed for junior high and high school students. The Kansas Junior Academy of Sciences also sponsors six regional and one state annual meetings where junior high school and high school students can present results of their original research. The meetings of KJAS attract between 150 and 500 students per year. These meetings act to encourage junior high school and high school students to become involved in science and help to promote the development of future scientists in Kansas.

4) Each fall the KAS sponsors a fall field trip open to the public, free of charge. These annual field trips are taken to interesting geological, biological or geographical sites in Kansas. The leaders of these field trips are experts in their fields and provide those attending the field trip with a tour that is both informative and that promotes additional interest in Kansas natural history. Past field trips have attracted between 30 to 90 participants.

In closing, I feel the KAS plays a vital role in the training of the state's next generation of scientists, educating its young people, and the promotion of Kansas natural history and has done such with a modest income and budget. The state sales tax on the KAS is slowly eroding its ability to continue to provide the citizens of Kansas with the above outcomes. I hope that my testimony has provided you with an insight as to the importance of the KAS to the state of Kansas and its citizens. Thank you again for the opportunity to share with you the role and importance of the Kansas Academy of Science.

Testimony of David Saunders  
Past President, Kansas Academy of Sciences  
February 3, 1999



TESTIMONY  
of  
Lawrence H. Skelton

SENATE BILL 116

before

SENATE ASSESSMENT AND TAXATION COMMITTEE

3 February 1999

Good morning Senator Langworthy, ladies and gentlemen of the Assessment and Taxation Committee. I am Lawrence Skelton from Wichita and edit the *Kansas Academy of Science Bulletin*. I appreciate the opportunity to address you on the background of the Academy and I hope that the information presented will be useful during your consideration of Senate Bill 116.

The Kansas Academy of Science has been in continuous existence since its founding at Lincoln College (now Washburn University) here in Topeka on September 1, 1868. That date establishes the Academy as probably the second oldest such state institution in the nation, being junior only to a similar organization in Connecticut.

In 1873, five years after its founding, the Academy became "by law, a coordinate department of the State Board of Agriculture", establishing a relationship with state government that would last more or less continuously until 1959. Being part of the Board of Agriculture, the first dozen or so of the Academy's annual reports were published in the Board's annual report.

From its beginning, the Academy, complying with the legislation subordinating it to the agriculture board, assembled a public-accessible science library which collected scientific volumes and journals from throughout the nation and world. Most of the journals were bound by the State Printing Office and by 1911, the library contained over 6000 bound volumes. The printing office also printed and distributed the Academy's annual *Transactions* or report of scientific studies. The same legislation that established the library also set up a museum that was to "keep for public inspection the geological, botanical and other specimens" collected and assembled by the Academy. Since the founding of the state, Kansas' scientists, educators and physicians had assiduously collected natural history specimens from around the state, the Great Plains and elsewhere in North America. To these had been added the Kansas exhibitions displayed at the U. S. Centennial in Philadelphia and at the Louisiana Purchase Exposition at St. Louis in 1904.

Both, library and museum, were housed in the Academy's offices here in the State Capitol until 1915 when they were to be moved to the newly constructed Memorial Building across the street. During the move, inadequate packing by contract movers resulted in destruction of most of the museum specimens. Efforts to re-constitute a museum were unsuccessful. The library was to be cataloged and archived with the State Historical Society's library in the new building but for one reason or another, the Academy's volumes were not so integrated. In 1922, the State Legislature required that the library be housed at the University of Kansas. There, it was moved from Fraser Hall to the then new Watson Library where it was housed as a separate collection though available to everyone. In an effort to raise money for an endowment fund, the Academy, in 1930, sold the library in a 40-40-20 proportion to the libraries of K.U., Kansas State University and the then Fort Hays State College for a total sum of \$5000.00.

Beginning in 1914, the Academy met problems having its library volumes bound by the State Printer and built up a 500 volume backlog. Then apparently smarting from its unsuccessful coordination of its library with the Historical Society and loss of the museum, the 1917 annual meeting of the Academy passed a motion appointing a committee "to confer with the governor on the future of the Academy." Subsequent minutes fail to report such a meeting but 1919 minutes reported that "a bill to abolish the Academy was

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killed when introduced into the Senate and the House.” No issues of the academy’s *Transactions* were again published until 1922 when a single volume encompassing three past years reports was issued by the State Printing Office. The 1922 annual minutes reported that “the last legislature failed to appropriate any money for the Academy.” Minutes of the 55<sup>th</sup> annual meeting in 1923 rather plaintively reported that “volume 31 [*Transactions*] was prepared as far as possible for the State Printer but investigation showed that the laws relating to the Academy had been repealed.” My speculation is that Governor Capper triumphed in the 1917 confrontation initiated by a minor state agency and decided to show the committee “how the cow eats the cabbage.” The next issue of *Transactions* was published in 1928 at the Academy’s expense.

Whatever caused the apparent schism between the Academy and the State through the 1920’s must have healed by the thirties since not only did the State Printer resume publishing the *Transactions* until the first half of the forties but also, and equally important to the Academy, the Kansas Legislature initiated an annual appropriation. This began with \$300.00 in 1933 and increased recurrently to \$3000.00 per year in 1955. A gubernatorial letter in 1957 advised state agencies of the need to operate with proper economic measures and frugality. This was followed in 1959 by Governor Docking vetoing appropriations to several small agencies, among them the Kansas Academy of Science. More fiscal harm occurred in the early seventies when the Academy discovered that its treasurer had embezzled approximately \$10,000.00 from funds designated for the junior program. The K.B.I. investigated and corrective audit measures were promptly enacted but the money was never recovered.

Since 1960, The Academy has relied on membership fees and donations for operating funds. Membership has declined by half during the past half century as the scientific disciplines have become less interested in efforts outside their own expertise. Meanwhile, expenses have increased far beyond feasible dues increases and publication and postage for the *Transactions* have increased by several orders of magnitude. In the memory of many of us here, first class postage has increased 1100 percent and the cost of paper has gone up 36.5 percent during the past 25 years. Printing itself has gone up by 27.9 percent since 1982 and the sales tax has climbed from 3.5 to 6.9 percent since 1980. That brings me to the point of this presentation which is to request relief from payment of Kansas sales tax.

The Kansas Academy of Science during its existence has published more than 3500 scientific papers covering topics from A to Z...from *Algae in Kansas Reservoirs* to *Zinc Content in Kansas Grown Alfalfa*. Many of the papers presented research by student scientists who continued their endeavors and became nationally or internationally known. Other papers are by authors who had already achieved that status. In the past, the Academy has furnished scientific consultation and scientific committees to meet the requests of the state and the expertise is present if a need should again be levied. The Academy of Science has been, is and will continue to be a Kansas asset. We ask your indulgence in helping us by passage of Senate Bill 116. Thank you for this opportunity to address you.

