

Approved: 3-16-99  
Date

MINUTES OF THE SENATE ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Senator Audrey Langworthy at 11:10 a.m. on March 11, 1999, in Room 519-S of the Capitol.

All members were present except: Senator Lee – Excused

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

Conferees appearing before the committee: Representative Nancy Kirk  
Joyce Volmut, Kansas Assn. for the Medically Underserved  
Marilyn Page, Marian Clinic  
Mary Ellen O'Brien Wright, Assistive Technology for  
Kansans  
Brenda Eddy  
Michael Byington, Envision  
Mike Taylor, City of Wichita  
Ron Appletoft, Water District No. 1 of Johnson County  
Dennis Schwartz, Kansas Rural Water Association  
Robert F. Hall, CAS Construction, Inc.  
Don Siefert, City of Olathe  
Don Moler, League of Kansas Municipalities

Others attending: See attached list.

The minutes of March 3 and March 4, 1999, were approved.

**HB 2099–Sales taxation; exempting purchases of certain primary care clinics and health centers.**

Representative Nancy Kirk, testified in support of **HB 2099** which provides for sales tax exemptions for purchases of nonprofit primary care clinics or health centers, the primary purpose of which is to provide services to medically underserved individuals and families, as well as certain purchases made on behalf of such entities by contractors. She noted that the bill was amended on the House floor to include a sales tax exemption for the purchase, repair, and replacement of assistive technology devices, including environmental control devices for persons who have a disability. In conclusion, she said the savings from the sales tax exemption would go towards providing health care to Kansans who lack health insurance. (Attachment 1)

Senator Langworthy informed that Committee that the amended fiscal note on **HB 2099** is \$1,265,000. Representative Kirk said the fiscal note on the original bill was \$250,000. She explained that the higher amount is a result of the House floor amendment.

Joyce Volmut, Kansas Association for the Medically Underserved, testified in support of **HB 2099**, noting that there are approximately 26 primary care clinics and health centers in Kansas which provide a valuable service to the state by providing continuous medical care for the increasing number of uninsured and under insured. In many instances, the need for services has far exceeded the capacity of the facility, and several of the agencies are now undertaking renovation. She informed the Committee that Kansas nonprofit clinics and health centers paid less than \$250,000 in states sales tax in 1997. She commented that \$250,000 is significant to underserved clients statewide when one looks at the additional services the savings could bring. (Attachment 2)

In response to a question by Senator Bond regarding the House floor amendment regarding assistive technology devices, Senator Langworthy confirmed that the amendment applies to purchases by individuals in addition to purchases by clinics which are under the charitable health care provider act. Ms. Volmut noted that the language was originally contained in **HB 2132**.

## CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE, Room 519-S Statehouse, at 11:10 a.m. on March 11, 1999.

Marilyn Page, Director of the Marian Clinic, followed with further testimony in support of **HB 2099**. She asked for the Committee's support as the money saved from a sales tax exemption would help provide more services for patients not only at the Marian Clinic but also at all clinics serving low income, uninsured, and desperately underserved people. (Attachment 3)

Mary Ellen O'Brien Wright, Assistive Technology for Kansans, testified in support of **HB 2099** as a means to ensure that children and adults with disabilities have access to assistive technology and related services. She explained that assistive technology refers to any piece of equipment used to maintain, improve, or increase a disabled person's independence. She noted that assistive technology prescribed by a physician is currently exempt from sales taxation, but some items not typically prescribed by a physician are not exempt. Eliminating the sales tax on items not prescribed would assist people with disabilities in purchasing equipment which permits them to have increased access to everyday life activities. (Attachment 4)

Brenda Eddy, who explained she is hearing impaired, testified in support of **HB 2099**. Ms. Eddy informed the Committee that she is the program administrator for the Telecommunications Access Program (TAP) which was established for the purpose of providing vouchers to Kansans with disabilities to acquire specialized telephone equipment. For personal and professional reasons, she supports the section of the bill which exempts assistive technology from state sales tax. (Attachment 5)

Michael Byington, Envision, testified in support of **HB 2099**. Noting that he is legally blind and that his wife is totally blind, he called attention to copies of written testimony by the Kansas Association for the Blind and Visually Impaired, Inc., in support of the bill. (Attachment 6) He discussed the reasons he believes the sales tax exemption in the bill is appropriate. From a personal standpoint, he said both he and his wife are employed due to the assistive technology they have purchased over the last ten to fifteen years at a cost of \$30,000 to \$50,000. In addition to that expense, they have the same living expenses as everyone else has. The sales tax on the amount of money they spend on assistive technology would help level the playing field for them. From a professional standpoint, Mr. Byington said Envision has seen the need to help disabled persons obtain assistive technology locally so they do not have to depend on a description in a catalog. As a public service, Envision has stocked assistive devices in small stores in Wichita and Topeka to allow persons to see and touch the product before buying it. Mr. Byington noted that, if an assistive device is ordered from a catalog, sales tax is not paid because it is being ordered from out of state. However, if the same product is purchased from Envision, sales tax must be collected. Many people who are blind are not working and are on a very limited income, and the sales tax is a significant amount to them. (Attachment 7)

There being no others wishing to testify on **HB 2099**, the hearing was closed. Written testimony in support of the bill was submitted by the Commission on Disability Concerns (Attachment 8), Families Together, Inc. (Attachment 9), and the Cerebral Palsy Research Foundation of Kansas, Inc. (Attachment 10).

### **HB 2011—Sales taxation; exempting purchases by certain political subdivisions and water districts.**

Mike Taylor, City of Wichita, testified in support of **HB 2011**, noting that the same concern was raised in 1996, 1997, and 1998. The concern was prompted by a Department of Revenue audit which demanded sales tax be paid on all kinds of purchases and operations by the water utility – purchases and operations which had never before been taxed. In addition, the current interpretation of the law means the city must maintain an entirely different and separate asset base and purchasing system in order for the water utility to protect general assets and operations of the city from taxation. This results in inefficiency and cumulative administrative expenses. Furthermore, it causes confusion for contractors and vendors who are always uncertain if sales tax should be included in bids on city contracts. (Attachment 11) In conclusion, Mr. Taylor noted that the House passed the bill on a vote of 120 to 4 on its merits without the addition of other exemptions, which he believes is an indication of the importance of the issue.

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE, Room 519-S, Statehouse, at 11:10 on March 11, 1999.

Ron Appletoft, Water District No. 1 of Johnson County, testified in support of **HB 2011**. He stated that he supports the statements by Mr. Taylor. Mr. Appletoft said the sales tax impact on the water district in Johnson County is approximately \$500,000 per year. If the exemption is granted, it will have a beneficial impact on the water rates the district charges its customers. (Attachment 12)

Dennis Schwartz, Kansas Rural Water Association, testified in strong support of **HB 2011**. As an employee of a rural water district and from his experience with the Association, he knows of no administrative aspect that consumes as much time as trying to determine the application of state sales tax. Ensuring the highest level of compliance with sales tax application likely is costing the utility thousands of additional dollars because of ramifications that go far beyond concerns for paying of appropriate sales tax. The Association advocates the exemption for clarification purposes. (Attachment 13)

Robert F. Hall, CAS Construction, Inc., followed with further testimony in support of **HB 2011**. He is constantly faced with the challenge of interpreting and applying the rules set out in "Sales and Use Tax for Contractors." In his opinion, the range of interpretation made by contractors when preparing bids for water utility construction projects creates the potential of not identifying the real competitive low bidder as the apparent low bidder may not be collecting Kansas sales tax. From his experience in working in Missouri, Nebraska, and Colorado, he knows first hand that the administrative process for exempting municipal construction projects can be simple. (Attachment 14)

Don Seifert, City of Olathe, urged the Committee to recommend **HB 2011** favorably for passage. He argued that there is no more basic municipal service than furnishing of water to residents; therefore, the water utility should be sales tax exempt like the rest of city government. (Attachment 15)

Don Moler, League of Kansas Municipalities, gave final testimony in support of **HB 2011**. He pointed out that water service, like wastewater service, can more accurately be described today as a core government service and, therefore, is an appropriate object for exemption from the sales tax. Approval of the exemption would benefit many smaller cities. Currently, the exemption application by a small city may be denied because the equipment is not used exclusively for an exempt purpose. The result of this situation is either a higher cost for equipment used for governmental purposes or duplication of equipment purchases. For larger cities, a similar problem has arisen, requiring extensive bookkeeping to segregate fire suppression related water utility expenses from all others. (Attachment 16) At the conclusion of Mr. Moler's testimony, the hearing on **HB 2011** was closed.

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

The next meeting is scheduled for March 16, 1999.







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TOPEKA, KANSAS 66612-1504  
(785) 296-7673

TESTIMONY  
HB 2099  
March 11, 1999

It is with pleasure that I stand here today to offer support for HB2099. As I carried this bill on the House Floor, I never dreamed it would pass out of the House with so little difficulty. The underlying bill is a sales tax exemption for private, non proprietary health clinics. The exemption includes the purchase by contractors of materials for construction or rehabilitation of the facilities. When the original statute was enacted, there were few if any such clinics in Kansas and they were not included in the section exempting hospitals etc. Today there are slightly over 20 that will meet the guidelines found in this bill.

The Marion Clinic in Topeka is one such clinic and they were the ones who brought the initial request to me. The savings from the sales tax exemption will go into providing health care to Kansans who lack health insurance and whose incomes do not permit them to pay more than a nominal fee for health care. The contributions of such clinics are immeasurable and I do thank them for their work. There are conferees here today who will provide the committee with more detailed information on the clinics and the benefits they will realize.

HB2099 was amended in committee to include a sales tax exemption for the purchase, repair, and replacement of assistive technology including environmental control devices for persons who have a disability.

I strongly urge your favorable consideration of HB2099. Some of our most vulnerable citizens will directly benefit from these exemptions.

*Senate Assessment & Taxation  
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Attachment 1*



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## Kansas Association for the Medically Underserved

### The State Primary Care Association

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Testimony - Kansas Association for the Medically Underserved

Presented by: Joyce Volmut, Executive Director

House Bill 2099

Sales tax exemption for certain primary care clinics and health centers

Senate Committee -Assessment and Taxation

Chairman Langwothy 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 and to provide you with information on how passage of this bill will be helpful to our member organizations.

There are approximately 26 primary care clinics and health centers in Kansas. Their primary purposes is to serve as a medical home for the thousands of individuals in Kansas who would otherwise be without access to primary care. They operate very much like a private doctor's office, providing comprehensive primary care services for clients in their community.

These clinics include:

- ▶ The federally funded Community Health Centers. These are the Section 330 Programs that receive funds through a grant from HRSA or have been certified by HCFA as Federally Qualified Health Centers (FQHC's).
- ▶ The state funded community based primary care clinics.
- ▶ Other non-profit primary care clinics who receive funding from 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 provide continuous medical care to the client and serve as a safety net in Kansas by providing care for the increasing number of uninsured and under insured who receive services from doctors, nurse practitioners, physician assistants, dentists, social workers and other professional staff employed by these agencies.

Though multifaceted in their approach to health care, they keep costs to a minimum. They do this by focusing on prevention, early detection of problems and by providing

assistance with factors that compromise individual health status. Their primary goal is to keep clients out of the hospital and away from the emergency room.

Clinics and health centers differ somewhat from most medical care facilities in that care is highly individualized. For example, a case manager may be assigned to assist in care coordination or to work with families to assure their basic needs are met. This allows family members to concentrate on tasks directly related to the health care they need and assures better compliance with the medical treatment plan. 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 HB2099 is so important.

Some of you may be aware of some of the clinics or health centers located within 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, Douglas Community Health Center and the Duchesne Clinic, both located in Kansas City, the Flint Hills Community Health Center in Emporia, the We Care Clinic in Great Bend, the United Methodist Mexican American Clinic in Garden City and the United Methodist Health Center and the Hunter Health Clinic both in Wichita.

Since in many instances the need for services has far exceeded the capacity of the facility, several of the agencies are now undertaking renovation. The United Methodist Mexican American Clinic in Garden City, for example, is expanding to allow for six more examination rooms. Over the past 10 years, the need for services have expanded so much within the walls of this older home, that is known as the Mexican American Clinic, that staff literally had to wait in line for an open exam room in order to see the next patient. The same is true of other facilities as well, Hunter Health Clinic, which was funded in 1985 as a federal health center is now greatly in need of expansion, the We Care Program in Great Bend started out as a case management program but now needs a full time practitioner to care for the volume of clients they see and this means relocation to a larger structure and additional clinical equipment.

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 are encouraged by the introduction of HB2099 and ask your support in continuing this legislation through the full legislative process.

Our research indicates that in 1997, Kansas non profit 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 thank you for the support you have given us in the past and urge favorable passage of HB 2099- as amended by the House.

Medical Clinic  
Medical Plaza Bldg.  
1001 SW Garfield Ave.  
Topeka, KS 66604  
785-233-8081

Dental Center  
3164 East Sixth Ave.  
Topeka, KS 66607  
785-233-2800

# MARIAN CLINIC

*Martin de Porres Dental Center*

Health care for low-income, uninsured individuals and families.

3-11-99

Senator Langworthy and Members of the Senate Assessment and Taxation Committee,

Marian Clinic has had strong support from the Kansas Legislature.

Some years ago, the Legislature made it possible for physicians to donate their professional services to Marian Clinic patients and be protected by the Kansas charitable health provider act.

More recently you enacted legislation that enabled us to provide dental services for low-income, uninsured, desperately underserved people.

The Legislature authorized the Kansas Department of Commerce and Housing to provide a tax credit program for business contributors who support charitable activities. Marian Clinic is participating this year for our renovation project. We are remodeling old facilities at the medical site (Tenth at Garfield) and expanding facilities at the dental center on East Sixth Street.

This year we are asking your help in getting sales tax exemption for the clinics in Kansas, including Marian Clinic. We are providing needed services to Kansans and feel that the money we could save would help us provide for our patients.

Marian Clinic is the medical home for about 2,500 low-income, uninsured residents of Shawnee County. We provide medical and obstetrical services at a central Topeka location. Dental care at Martin de Porres Dental Center brings the total number of people served to about 3,700. Together we provide nearly 10,000 patient visits annually.

Marian Clinic medical has a paid staff of 10, strengthened by some 30 volunteer physicians and 30 volunteer nurses who come on site to see patients. Another 150 specialists treat Marian Clinic patients on referral in their own offices -- at no charge.

Currently on site there are between 500 and 775 medical patient visits per month, with another 45 to 50 referrals to specialists.

*Senate Assessment & Taxation*

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Gerald Letourneau / Marilyn Page, Executive Director / Carol Robertson

*3-11-99*

*Attachment 3*

180 to 350 patients receive free sample medications each month and we make 200 to 225 lab or X-ray referrals to St. Francis Hospital & Medical Center each month. Patients pay minimal fees to the Clinic.

Last year, thanks to the action of the Legislature, we were able for the first time to obtain a primary care grant of \$50,000 through KDHE. We are using the money to help pay the wages of nurses and medical and dental support staff whose daily work keeps the medical clinic and the dental center going. The money goes directly to patient care and has a major impact on what is accomplished. Here are just two examples:

“ALICE” Because of the indigent meds program, which one of our dental assistants has revived at the Clinic, a 52 year old woman is now one of many patients who get the medicine they need. “Alice” has cancer and was desperately in need of tomoxificin, a high priced drug. She said to us: “I can't afford the medicine on my own. You might as well dig a hole and throw me in if you can't help.”

“STEPHEN” Because of prompt attention by our receptionist, quick referral arrangements made by a staff nurse and the Clinic's network of volunteer physicians, a 40 year old carpenter had timely cataract surgery and was fitted for the permanent foot brace he needed because of neuropathic joint disease. As of January 18th, “Stephen” is working again and will soon have health insurance of his own.

In September of 1998, Marian Clinic assumed administrative responsibility for the Martin de Porres Dental Center. Professional staff and professional volunteers work together to offer services to about 300 dental patients per month. One last benefit that I attribute to our increased funding is the progress we are making at the dental center. Six months ago Martin de Porres had a long waiting list. With the help of additional dental support staff we have been re-contacting patients and trying to re-schedule them within one month. New patients who call are asked to call back at the first of the next month for an appointment. Not an ideal situation, but a vast improvement in meeting un-served needs.

I ask you to your support sales tax exemption for the clinics on behalf of vulnerable Kansas citizens who need our medical and dental care. Once again, thank you for all you do for us.





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**Testimony before the Senate Committee on Assessment and Taxation  
Regarding House Bill 2099  
Mary Ellen O'Brien Wright  
Assistive Technology for Kansans  
March 11, 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 2099, 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 2099 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 2099 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.

Testimony before the Senate Committee on Assessment and Taxation

HB 2099

March 11, 1999

Presented by Brenda Eddy

Madame Chair and Members of the Committee:

My name is Brenda Eddy and I thank you for the valuable time you are giving me today. I am hearing impaired and need to read your lips for understanding. Please make sure you have my attention before asking a question.

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 2099, specifically the section which exempts assistive technology from state sales tax. I support this bill for personal and professional reasons. I will speak to the personal reasons first. I come from a family of five where four of us wear hearing aids and use assistive technology to help us function. In case you are not aware, a new hearing aid costs about \$1500 dollars today. Add this to the costs of doorbell signalers, closed

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captioned decoders for the TV, baby-cry equipment, light signalers for the house, FM listening systems for meetings and it gets very expensive to be deaf. I'm not whining. Being deaf is a personal responsibility and we have always paved our own way. However, not having to pay sales tax on this technology will certainly ease the burden of expense. My parents live on a fixed income and both have lung disease. They both use motorized carts to get around. It was a tremendous financial hardship to purchase these carts. Not having to pay sales tax could have saved them about \$500.

On a professional note, 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 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. These businesses have provided a professional and valuable service to elderly or homebound individuals and this method of ordering equipment works well for them. However, equipment ordered through the mail is exempt from sales tax. This places a disadvantage on Kansas assistive technology businesses that must charge sales tax on the equipment they sell in Kansas. Wiser TAP shoppers have figured out that if they use mail-order catalogs, they can save money and get more equipment for their buck. 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 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 2099**

**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**

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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 2099 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.**



Choices & resources for people who are blind or low vision

**Envision®**

**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**

March 11, 1999

TO: Senate Taxation Committee

SUBJECT: HB 2099

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.

The House combined two bills to create the current version of 2099. While we certainly have no objection to the parts of the bill dealing with sales tax relief for not-for-profit, charitable, medical clinics, we will restrict our comments to issues related to the assistive technology tax relief.

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

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

*Attachment 7*



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 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. The equipment I am referencing here fits in two categories which I will call "low technology and High Technology.

Low technology consists of items which usually sell for under \$150.00, although certain items can range up into the \$750.00 range. These items can be such things as Braille or talking watches, talking glucometers, Braille thermometers, talking scales, etc.

Much of the high technology equipment I am referencing sells for prices which equal somewhere between the cost of a new car and a late model used one. These items include such things as closed circuit television magnification devices (CCTVs), electronic reading machines, etc. There is quite a bit of tax on items of this magnitude.

With regard to the low technology items, while there is not a lot of tax, please realize that a lot of the people who need to buy them do not have much money. 74% of all working age persons who are blind are unemployed according to statistics from 1990 United States Census data.



The sales tax on a \$100.00 Braille watch might make the difference as to whether the person who needs it can get it this month or the next.

It used to be that many special items of assistive technology for people who are blind were only available from out of State catalogs. These types of sales of course were able to avoid sales tax, but ordering most of what one needs for day to day living from a catalog becomes quite cumbersome and inconvenient. This is particularly for newly blinded individuals who may not have the skills or technology to read the catalogs independently or the orientation and mobility skills to deal with easily mailing letters, etc.

Because of the above problems and needs, Envision has opened, in Wichita and Topeka, small stores which sell low technology, and some high technology items for people who are blind and low vision. Blind consumers appreciate this service, but ironically, when they were going through the rigors and inconveniences of ordering by catalog, they did not have to pay sales tax. Now that the same items are available locally, for about the same prices as are in the catalog, they do have to pay sales tax.

I must also wax partly personal in offering an example of the costs and involved with higher technology. 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 as well. 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 each piece. 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 2099, 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 2099 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 2099 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.

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

MARCH 11, 1999

TO: ~~House~~ <sup>SENATE</sup> Committee on Taxation

FROM: Sharon Huffman  
Legislative Liaison

SUBJECT: House Bill <sup>2099</sup> ~~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 <sup>2099</sup> ~~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.

Senate Assessment & Taxation

3-11-99

Attachment 8



# 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](mailto: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](mailto: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](mailto: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](mailto:kcfam@kc.net)

Statewide Spanish Parent Line  
1-800-499-9443

Date: ~~February 3, 1999~~ MARCH 11, 1999  
To: ~~House~~ SENATE Committee on Taxation  
From: Bonni Pennie, Families Together, Inc.  
Re: HB <sup>2099</sup> ~~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 <sup>2099</sup> ~~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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*3-11-99*

*Assisting Parents and Their Sons and Daughters with Disabilities*

*Attachment 9*



THE CEREBRAL PALSY RESEARCH FOUNDATION OF KANSAS, INC.

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

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

SENATE

Testimony before the House Committee on Taxation  
Regarding House Bill ~~2132~~ 2099

Patrick A. Terick

Assistive Technology for Kansans

~~February 3, 1999~~

MARCH 11, 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.  
HOUSE BILL 2099

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~~ 2099

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 21<sup>st</sup> Street  
Wichita, KS 67208  
(316) 688-1888

Senate Assessment & Taxation  
3-11-99

5111 E. 21st N. • P.O. Box 8217 • Wichita, Kansas 67208 • (316) 688-1888 • Fax (316) 688-5687

E-Mail address: cpradmin@southwind.net • Website: www.cprf.org Attachment 10





CITY OF  
**WICHITA**

## **TESTIMONY**

to

**Senate Assessment and Taxation Committee**  
**March 11, 1999**

### **House Bill 2011** **Water Utility Sales Tax Exemption**

In 1996, 1997 and again in 1998, the City of Wichita along with others, proposed changes in the way sales tax is applied to municipal water utilities. The City of Wichita's concern was prompted by a Department of Revenue audit which demanded sales tax be paid on all kinds of purchases and operations the water utility. Purchases and operations which had never before been taxed.

Traditionally, City governments do not pay sales taxes to the State government for providing municipal services. As the Wichita audit proves, that is not true when it comes to providing water to our residents. In fact we are finding the interpretation and application of the law amounts to an aggressive effort to tax all kinds of basic municipal services, including not just the providing of water, but fire protection, and street repairs if they are related to water utility projects. It also means sales tax must be paid on city vehicles, telephones and computers purchased by clearly tax-exempt City departments if those items are in anyway at anytime used by a Water Department employee. The issue is complex, but in effect Revenue Department auditors contend anything the Water Department "touches" is fully taxable at 5.9% (that includes the 1% local sales tax).

The lawyers and accountants can talk about this issue in far more technical terms than I, but let me explain in practical terms how this situation plays out in Wichita. I knew a secretary who worked in the Wichita Police Department on the fourth floor of City Hall. She answered phones and worked on a computer. She transferred to the Water Department offices on the eighth floor of City

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*Attachment 11.*

Hall. We did similar work on an identical computer and answered citizen calls on an identical telephone. But the cost of that phone and computer service is 5.9% more expensive because they sit in the Water Department offices and not the Police Department offices. It's especially hard to understand when you realize all computer and phone services in Wichita City Hall are provided through our own in-house Data Center. Money shifting from one City department to another is suddenly taxable.

One of the biggest issues involves electricity used to pressurize water for distribution. Revenue auditors say that electricity is fully taxable. But more than half of all electricity consumed at the pump station is to generate enough pressure for fire protection, making sure the system is charged so water comes out of the hydrant when its needed. By determining that all of the electricity is taxable, the State is taxing Wichita for providing fire protection to its residents. Most of you probably thought fire protection was clearly a basic, tax exempt function of City government. Except of course for fire hydrants. Since in Wichita the water department purchases fire hydrants as part of its operation of the water system, they too are fully taxable.

The current approach and interpretation of the law also means the City must maintain an entirely different and separate asset base and purchasing system for the water utility to protect general assets and operations of the City from taxation. This results in inefficiency and cumulative administrative expenses. And there is lots of confusion caused for contractors and vendors who never quite know whether or how to determine if sales tax should be included in bids on city contracts. Another interesting note: under current interpretation, if a city government built a new city hall, the water offices, staff and accounting systems would have to be kept out of the building to prevent the entire city building from being taxable.

Providing water to citizens is a basic function of city government, the same as filling potholes, putting out fires or providing police protection. As such, exempting municipal water utilities from paying sales tax on purchases will clarify and correct the confusing, inconsistent question of what's taxable and what's not when comes to providing basic City services.

# WATER DISTRICT NO.1 OF JOHNSON COUNTY



Mailing Address: P.O. Box 2921, Mission, KS. 66202  
5930 Beverly, Mission, Kansas 66202

Tel. (913) 895-5500  
FAX (913) 895-1825

## Testimony On House Bill 2011

Presented at the  
Senate Committee On Assessment and Taxation  
On March 11, 1999

Water District No. 1 of Johnson County appears in support of House Bill 2011 which would exempt publicly owned water utilities, including Water District No. 1, from sales tax on purchases of property and services used in the construction, operation and maintenance of publicly owned water utilities.

Water District No. 1 is organized as a regional public water utility and serves over 330,000 consumers in and around Johnson County. The Water District is operated as a quasi-municipal corporation pursuant to K.S.A. 19-3501 et seq.

In recent decades, providing water to the public has increasingly become a governmental function and should be exempt from sales tax similar to other governmental services. The Water District pays approximately \$500,000.00 in sales tax per year. If the Water District was exempt from this tax burden, its operational costs could be reduced, which would have a beneficial impact on water rates.

Current sales tax law, as applied to publicly owned water utilities, contains a number of very confusing exemptions which cause a significant administrative burden and increased operating costs. The Water District has been forced to file several appeals challenging the Department of Revenue's application of the sales tax laws to the District. It is our understanding that many other publicly owned water utilities have also challenged the Department's interpretations on this issue. Current Department of Revenue interpretations require the creation of very intricate bidding documents for construction projects. It is suspected that these provisions confuse contractors and cause the costs of publicly bid contracts to be inflated. A total exemption of sales tax for publicly owned water utilities would solve all of these problems.

Water District No. 1 urges your support of House Bill 2011. By lowering operating costs and simplifying administration of publicly owned water utilities, the public would be benefited statewide.

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Attachment 12*





P.O. Box 226 • Seneca, KS 66538 • 785/336-3760  
FAX 785/336-2751 • <http://www.krwa.net>

COMMENTS ON HOUSE BILL No. 2011  
BEFORE THE SENATE ASSESSMENT AND TAXATION  
March 11, 1999

Madam Chair and Members of the Committee:

Thank you for the opportunity to present comments on House Bill No. 2011. I am Dennis Schwartz, a member of the Board of Directors of the Kansas Rural Water Association; I am also General Manager of Rural Water District No. 8, Shawnee County, KS. The Association provides technical assistance to public water and wastewater systems and a variety of training opportunities for operators, board and council members. The Association's membership includes 275 rural water districts and 325 cities and 232 supplier/vendor associate members.

The Kansas Rural Water Association supports House Bill No. 2011. As an employee of a rural water district, and from my experience with the Association, I know of no administrative aspect that consumes as much time as trying to determine the application of state sales tax. As an example, I would like to read directly from the guideline booklet, Sales and Use Tax for Kansas Political Subdivisions:

*"A city uses electricity or gas to power a water pump that extracts water from a well. This utility use qualifies for exemption as tangible personal property "consumed in production".*

The next example: *"The generator that generates electricity at an electrical power plant qualifies as manufacturing machinery. Also qualifying is the pump used to pump water from the ground to the treatment plant. CAUTION: This exemption applies ONLY to manufacturing machinery and equipment and those repair and replacement parts that are major components, such as a compressor or a motor. Repair parts (fan belts, spark plugs, etc.), peripheral equipment such as control panels and electrical conduit, and ALL labor services to install or repair a qualifying item are TAXABLE."*

At best, this is confusing -- to the utilities, contractors, designers and also to the Department of Revenue. A control panel to operate a pump which may be tax-exempt is only exempt to the extent of use required to operate the pump; the conduit to connect the pump, even when the contractor bids a unit price, is taxable but the electrical wiring may not be. In many cases, the control panel is more of a component than is the pump or motor. We also know of situations in water districts and cities in Kansas where the power bills are being divided to separate the power required to lift water out of the well to that required to send it to the tank.

The water district I manage is working to build an addition to its treatment plant. We have had to structure construction bid documents into four segments -- with the separation being what components are taxable and which are not. This splitting of bid documents has no relationship to construction time-frames or what anyone could conceive as being based on good business judgment. Ensuring the highest level of compliance with sales tax application likely is costing the utility thousands of additional dollars because of ramifications that go far beyond concerns for paying of appropriate sales tax.

The Kansas Rural Water Association suggests that the public at large will benefit if HB 2011 were approved, the Dept. of Revenue would be relieved of trying to administer an exceedingly confusing law and regulatory relief would be gained by water utilities, designers and contractors.

Respectfully submitted,

Dennis Schwartz  
Director

Senate Assessment & Taxation  
3-11-99  
Attachment 13



# CAS CONSTRUCTION, INC.

WATER & WASTEWATER TREATMENT PLANT SPECIALISTS

501 N.E. Burgess • P.O. Box 8270 • Topeka, KS 66608-8270

## TESTIMONY TO THE KANSAS SENATE COMMITTEE ON TAXATION

Re: HB2011- Sales Taxes on Publicly Owned Water Utilities

March 11, 1999

Members of the Committee:

I am Robert F. Hall, Treasurer of CAS Construction, Inc, of Topeka, KS, and we thank you for the opportunity to present testimony for a third time on this issue.

CAS Construction is a prime contractor working exclusively in the market of building rehabilitating water treatment and wastewater treatment plant facilities in Kansas, Missouri, Nebraska, Colorado, Iowa and Oklahoma.

As a registered sales/use tax collector for the Kansas Department of Revenue, we are constantly faced with the challenge of interpreting and applying the rules set out in **Sales and Use Tax for Contractors, Subcontractors and Repairmen (28 pages)** and **Sales and Use Tax for Kansas Political Subdivisions (26 pages)**. We are obviously concerned with the difficulty and frustration involved with fulfilling the administrative reporting requirements placed upon us by these rule books, but this concern pales when contrasted to the real issues.

**Unlevel playing field on bid day:** knowing the range of interpretation of the referenced rules that can be offered by Department of Revenue employees, imagine the range of interpretations that can be made by contractors on bid day. Contractors could potentially submit bids on the same project that (1) calculate taxes comparable to a Department of Revenue auditor, (2) do not include any tax or (3) attempt to calculate tax correctly but fall somewhere in between scenario (1) and (2).

A definite potential exists that the real competitive low-bidder is not identified and the apparent low-bidder may not be collecting tax for the State of Kansas.

**Dilution of funding resources:** we follow our market closely and know that the number of Kansas communities that have real water treatment infrastructure needs far outweighs the existing funding. It does not make sense that state funding be used for paying sales taxes...how much additional work could be accomplished if this tax funding were available for construction?

**Our neighbors choose to exempt ALL municipal construction:** via our experience in working in Missouri, Nebraska and Colorado, we know first-hand that the administrative process for exempting municipal construction projects can be SIMPLE. The states of Missouri, Nebraska and Colorado use a one-page form that essentially delegates the municipality's tax-exempt status to the contractor for a specific named project (for state revenue auditing purposes). In the case of Missouri and Nebraska, absolutely no involvement by Department of Revenue personnel is required to properly execute this delegation.

We strongly encourage your consideration for eliminating the taxation of water utility construction projects.

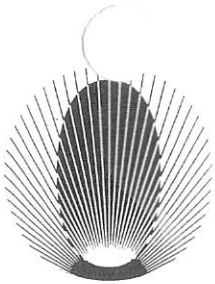
PHONE: 785/354-9953 • FAX: 785/354-4939 • E-MAIL: cascon@casconstruction.com

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*Attachment 14*





City of Olathe

MEMORANDUM

**TO:** Members of the Senate Committee on Assessment and Taxation  
**FROM:** Donald R. Seifert, Management Services Director *MS*  
**SUBJECT:** **HB 2011**, Sales Tax Exemption for Municipal Water Utilities  
**DATE:** March 11, 1999

On behalf of the city of Olathe, thank you for the opportunity to support **HB 2011**, passed earlier this week in the House. This bill, originally recommended by the interim assessment and taxation committee, would exempt purchases made by municipal water utilities and other providers of water service from the state and local sales tax.

The city of Olathe has operated a municipal water utility since 1884. Under current law, the treatment and distribution of water is the only area of municipal government where the purchase of goods and services is subject to the sales tax. Purchases made in all other areas of the city have traditionally been exempt from the sales tax.

The application of sales tax to the water utility adds to the operating cost of this service. It also adds to the cost of every capital item the city purchases for its water system, such as pipe, trucks, and treatment capacity. Application of sales tax also presents additional accounting confusion, where certain line items in the city's budget are taxable and most are not. For budgeting and accounting purposes, the city operates a combined water and wastewater utility fund. It is especially confusing for purchases relating to our line maintenance division, which maintain both water (taxable) lines and wastewater (non-taxable) lines.

We believe there is no more basic municipal service than the furnishing of water to city residents, and that it should be sales tax exempt like the rest of city government. The city urges the committee to recommend **HB 2011** favorably for passage.

Thank you again for the opportunity to support this bill.

rc

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Attachment 15*



**League  
of Kansas  
Municipalities**

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL 300 S.W. 8TH TOPEKA, KS 66603-3912 (785) 354-9565 FAX (785) 354-4186

**TO:** Senate Assessment and Taxation Committee  
**FROM:** Don Moler, General Counsel  
**DATE:** March 11, 1999  
**SUBJECT:** Support for HB 2011

Thank you for the opportunity to appear today in support of HB 2011, which would exempt purchases by public water utilities from state and local retailers' sales tax. As you know, current law provides that purchases by political subdivisions are exempt from the sales tax when the subdivisions are acting in their governmental capacity. When a city is acting in a proprietary capacity, however, such as in furnishing gas, water electricity or heat, sales taxes are due and payable.

The provision of water supplies to Kansas citizens today is largely the function of local governments in Kansas. Unlike gas and electric service, only a handful of private water companies exist today. In other words, water service, like wastewater service, can more accurately be described as a core government service and, therefore, an appropriate object for exemption from the sales tax. In fact, with increasing federal regulation of drinking water supplies, it appears unlikely to us that future growth in the privatization of water utility service is a long term possibility.

For many smaller cities there is another reason to approve this exemption. Cities with water utilities also purchase equipment which is used for the street maintenance, park maintenance, and other traditional municipal functions. In the recent edition of the League's *Governing Body Handbook*, we felt it was important to advise city officials that a city's application for exemption for such mixed use equipment (e.g., pickup truck) may be denied by the state because it is not used exclusively for an exempt purpose. Unfortunately, the result of this situation is either a higher cost for equipment used for governmental purposes or duplication of equipment purchases—both unacceptable results.

For larger cities that consume electricity and other property in the pressurization and delivery of water for fire suppression purposes (clearly a traditional function of government), a similar problem has arisen, requiring extensive bookkeeping to segregate fire suppression-related water utility expenses from all others.

**RECOMMENDATION:** We respectfully submit that it is time to end the taxation of the governmental function of providing water utility services, and we recommend the enactment of HB 2011.

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Attachment 16