

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

The meeting was called to order by Chairman Edmonds at 9:00 a.m. on February 6, 2002 in Room 519-S of the Capitol.

All members were present except: Representative Cook, excused
Representative Mays, excused

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor
Winnie Crapson, Secretary

Conferrees appearing before Committee: Representative Bethell
Representative Flaherty
Ron Hein, Kansas Hearing Aid Association
Larry Baer, Kansas League of Municipalities

Others Attending: See attached list.

Without objection bill will be introduced at the request of Representative Aurand that would shift tax load, increasing sales tax, reducing statewide mill levy, and increasing the sales tax rebate for food and medicine and is intended to be revenue neutral. [HB 2788 - State tax system restructuring].

Without objection bill will be introduced at the request of Representative Tafanelli for property tax exemption for community housing development organizations. [HB 2786 - Property tax exemption for community housing development organizations]

Without objection bill will be introduced at the request of Representative Rehorn that would amend K.S.A. 79-2401 relating to redemption of real estate on which taxes are delinquent [HB 2785 - Redemption of real estate bid off by county, repealing Wyandotte County exception]

Hearing was opened on
HB 2265 - Sales tax exemption for hearing aids.

Representative Edmonds called the attention of the Committee to the Memorandum from Chris Courtwright, Legislative Research, advising that the fiscal note has been revised downward. After reviewing data from the industry and other sources, the Department of Revenue has now indicated that the first year fiscal note would be in the neighborhood of \$0.162 million.

Representative Flaherty testified in support of the bill (Attachment #1), stating that it addresses an inequity in sales tax payments by purchasers of hearing aids and represents a very small revenue source for the state. Under current law purchasers without a prescription pay sales tax but those with a prescription do not.

Ron Hein, Legislative Counsel for the Kansas Hearing Aid Association, testified in support of the bill (Attachment #2). Under the current practice most people who purchase hearing aids already have either been referred by a physician, or when a customer comes directly it is suggested to them by the dispenser that they can receive the sales tax exemption by contacting a physician for a prescription. Hearing aid dispensers and audiologists are both permitted by law to conduct hearing tests that would ascertain hearing loss that would warrant a hearing aid. Mr. Hein told the committee that if a person is suffering from hearing loss as the result of age or other non-medical issues it does not make sense to force that person to make an appointment with a doctor simply for the purposes of getting a prescription to avoid paying sales tax on the hearing aid.

In response to questions Mr. Hein stated the range of prices for hearing aids was from \$600 to \$2,400 and that the sales tax exemption would also apply to batteries and replacement parts.

The hearing on **HB 2265** was closed.

CONTINUATION SHEET

Hearing was opened on HB 2654 - Wheat Bowl, Inc. sales tax exemption.

Representative Edmonds called attention to information from the Budget Director that the Fiscal Note would be \$5,000.

Representative Bethell presented testimony in support of the bill (Attachment #3). He explained that the Wheat Bowl is the only pre-season football contest sanctioned by the NAIA and has now been in existence for over five years. The Wheat Bowl each year picks representatives from Kansas and surrounding states to participate. Due to a ruling of the Kansas Department of Commerce and Housing any grants that are awarded need to have private funds that can be used as leverage, and current fundraising efforts do not qualify the Wheat Bowl for any tourism funding. They have been told that they have to have a running balance to receive grants. The bill is requested to give some relief to the Wheat Bowl in their efforts.

Hearing was closed on **HB 2654**.

**Hearing was opened on
HB 2201 - Sales and transient guest tax exemption for Mid-America Association for
Computers in Education.**

Steve Schuler, representing Mid-America Association for Computers in Education, presented oral testimony in support of the bill. MAACE was formed in 1952 to help with education of classroom teachers in use of computers. Since that time two training sessions have been held each year. The organization consists of everyone who comes to the conferences. The all volunteer Board of Directors consists of fifteen people.

Their main source of income and revenue is the \$100 fee charged to come to conferences where teachers receive hands-on training. MAACE pays about \$2,500 or \$3,000 a year in sales and the transient guest tax for hotel rooms provided for the presenters. The sales tax is paid on food, conference supplies, and internet access. Their gross revenues throughout the year are about \$60,000 for about 300-400 teachers coming to each conference. The teachers pay \$100 and are provided with two days of conference and one meal. Most of the teachers are funded by their schools through their general budget for in-service and training.

In response to questions Mr. Schuler said that conference prices have not been raised for ten years and they are trying to find ways to offer that same product without increasing their costs.

Larry Baer of the Kansas League of Municipalities testified in opposition to **HB 2201** (Attachment #4). He stated the transient guest tax is a purely local tax, not to exceed two percent, that has been adopted by many cities with hotels and motels. The tax is imposed and spent purely locally except for the portion retained by the state for administration. Local adoption requires an election and is used for the promotion of convention and tourism in the local community based upon recommendations of a committee statutorily required. He noted there are currently no exemptions to the transient guest tax and that neither cities, the state nor school districts are exempt from this tax. The League questions whether it is good public policy reason for the exemption.

The hearing on **HB 2201** was closed.

The committee discussed **HB 2654** - Wheat Bowl Inc. sales tax exemption.

Representative Sharp moved, Representative Osborne seconded, that HB 2654 be reported favorable for passage. Motion was adopted.

The committee discussed **HB 2265** - Sales tax exemption for hearing aids.

Representative Larkin moved, seconded by Representative Gilbert that the bill be amended to reflect the current year. Motion carried.**Representative Larkin moved, seconded by Representative Osborne, that HB 2265 be reported favorable for passage as amended.**

CONTINUATION SHEET

Representative Sharp said while something needs to be done, she believes education of hearing aid purchasers is the biggest issue, not the sales tax, and that those selling hearing aids seem to be working with the doctors.

Representative L. Powell moved, Representative Howell seconded, that HB 2265 be tabled. Motion failed.

Representative Larkin's motion to report HB 2265 favorable for passage as amended was adopted.

The meeting adjourned at 9:50 a.m.

The next meeting of the Committee will be February 7.

GUEST LIST

DATE Feb. 6, 2002

| NAME | REPRESENTING |
|-------------------|---|
| Steve Schuler | Mid-America Computers in Education (MACE) |
| M. Day (KANE MAN) | Ks. Hearing Aid Assoc (KHAA) |
| Larry R Baser | (KM) |
| Rick Ediger | Ks Hearing Aid Assoc (KHAA) |
| Jo Ann Raaf | Coffee Co Treas |
| Jan Karlin | bt Co. |
| Clark Miller | Reno Co |
| Mark E Scherun | SMITH CO TREAS. |
| Oliver Lancaster | Ed Co Treas |
| Shirley Ebaugh | Franklin Co Treas. |
| Deb Perringham | Ford Co Treas |
| Becky Fields | Harvey Co. Treasurer |
| Kathy Johnson | Rauver Co Treasurer |
| Jeanette Bateman | Macon Co Treasurer |
| Hel Pedya | Hannum's office |
| Bill Yarek | KS Assn of REALTORS |
| Karl Peltz | KS Taxpayers Netwk |
| Toni Bruno | GBBA |
| Michelle Peterson | Kp. Governmental Consulting |
| John J. Sobush | Bering |
| | |
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EDUCATION

HEALTH AND HUMAN SERVICES

JUDICIARY

JOINT COMMITTEE PENSIONS,

INVESTMENTS AND BENEFITS

February 6, 2002
Testimony HB 2265

Thank you for your time in considering this bill.

My constituent, Terry Brewster of Midwest Hearing Aids brought this issue to my attention.

This bill addresses an inequity in sales tax payments by purchasers of hearing aids, a time consuming records and filing requirement for businesses, and a very small revenue source for the state.

The inequity is that currently purchasers without a doctor's prescription pay sales tax, those with a prescription do not. Sometimes physicians co-operate and provide a prescription at no cost. Other times there is an office call or other fee.

The business person has the overhead costs of recording and filing requirements.

The state is receiving relative little income from this source. Please note the revised fiscal note. This revision probable represents a maximum estimate of receipts.

Though we understand the political possibility of amendments in committee or floor debates, I hope you will consider the content of this proposal and give it committee approval.

House Tax 2-06-02
Attach. No. 1
Page 1 of 1

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Ronald R. Hein
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**Testimony re: HB 2265
House Taxation Committee
Presented by Ronald R. Hein
on behalf of
Kansas Hearing Aid Association
February 6, 2002**

Mr. Chairman, Members of the Committee:

My name is Ron Hein, and I am legislative counsel for the Kansas Hearing Aid Association. KHAA is the trade association for licensed hearing aid dispensers in the state.

The KHAA supports the passage of HB 2265. Current tax law provides that hearing aids are exempt from sales taxation if they are prescribed by a physician licensed to practice medicine and surgery. Under the current practice of members of our profession, and members of the audiology profession, most people who purchase hearing aids already receive the sales tax exemption. This is because our customers have either been referred to us by a physician, or, if a customer comes to us directly, they are either referred to a physician or a physician is consulted for the purposes of getting a prescription that would render the purchase tax exempt.

Hearing aid dispensers and audiologists are both permitted by law to conduct hearing tests that would ascertain hearing loss that would warrant a hearing aid. Only persons licensed as a hearing aid dispenser can actually sell and fit the hearing aid to the patient. I believe that only a person licensed to practice medicine and surgery is licensed to diagnose and treat any medical conditions that might cause hearing loss. Although physicians are permitted by law to test for hearing loss and to prescribe a specific hearing aid, as a practical matter, most physicians do not have the appropriate equipment to test hearing loss. They often rely upon hearing aid dispensers or audiologists to conduct the studies necessary to determine which hearing aid is appropriate for a particular person suffering from hearing loss which is not correctable through medical treatment.

If a person is suffering from hearing loss as the result of age or other non-medical issues, it does not make sense to force that person to make an appointment with an existing doctor, or to select a doctor if they don't have one, simply for the purposes of getting a prescription to avoid paying sales tax while obtaining the hearing aid.

Although, the KHAA supports HB 2265, there is a corrected fiscal note on this bill. The fiscal note is based upon good faith estimates by the Department of Revenue regarding the percentage of hearing aids which are purchases with and without prescriptions. The department has contacted the KHAA and other associations in their efforts to make the most accurate estimate possible. Although we believe the vast majority of hearing aids are being sold tax free currently, our industry is sure that there are some people who may not presently be obtaining prescriptions before they purchase the hearing aid.

House Tax 2-06-02
Attach. No. 2
Page 1 of 2

KHAA Testimony HB 2265
February 6, 2002
Page Two

In light of the fiscal note which has been presented to you, although we are supportive of this bill, our Association will not be pressing for its passage this year due to the fiscal situation currently facing the state. We thank Rep. Geraldine Flaharty for her efforts in introducing this legislation, and we would strongly urge the legislature to take prompt action on this legislation as soon as the state's fiscal picture is stronger.

Thank you very much for permitting me to testify, and I will be happy to yield to questions.

House Testimony 2-06-02
Attach. No. 2
Page 2 of 2

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February 6, 2002

Testimony on HB 2654

Thank you Mr. Chairman and members of the Tax Committee for allowing me to visit briefly with you today. I am Representative Bob Bethell of the 113th District and the Wheat Bowl is of great importance to some of my constituents.

The Wheat Bowl, a pre-season football contest and the only pre-season contest sanctioned by the NAIA, has now been in existence for over 5 years and has each year made tremendous strides in bringing attention to the importance of the agricultural efforts of Central Kansas. The benefits of this event are seen when one looks at those who have been in attendance. Governor Graves has personally attended several times as well as other statewide officials.

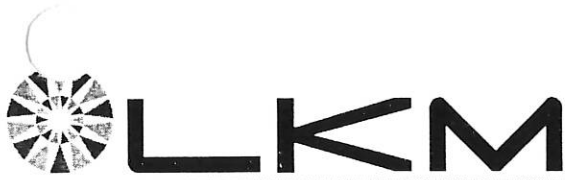
The Wheat Bowl each year picks representatives from Kansas and surrounding states to participate. Also the Wheat Bowl Committee each year raises in excess of \$60,000.00 to fund this event.

Do to a ruling of the KDOCH that any grants that are awarded need to have private funds that can be used as leverage, and current fundraising efforts do not qualify the Wheat Bowl has not been able to qualify for any tourism funding.

In an attempt to give some relief to the Wheat Bowl in their efforts I am requesting that this committee view this request favorably.

Thank you again and I will stand for questions.

House Tax 2-06-02
 Attach. No. 3
 Page 1 of 1



League of Kansas Municipalities

Date: February 6, 2002
To: House Taxation Committee
From: Larry R. Baer
Assistant Legal Counsel
Re: Opposition to HB 2201 - Transient Guest Tax Component

Thank you for allowing me to appear before the Committee on behalf of the League of Kansas Municipalities and its member cities to testify today in opposition to HB 2201. Specifically, the League opposes the transient guest tax exemption in the bill.

The guest tax is a purely local tax, not to exceed two percent (2%), that has been adopted by many cities with hotels and motels. Local adoption requires an election.

The tax is used for the promotion of convention and tourism in the local community. A statutorily required convention and tourism committee, appointed by the governing body, makes recommendations concerning the programs and expenditures for promotion of local convention and tourism. Thus, it is a tax imposed and spent locally. Further, the use of the transient guest tax lessens a city's reliance upon property tax.

Cities aren't exempt. The state is not exempt. Not even a school board that would be seeking assistance from Mid-America Association for Computers in Education is exempt. There are currently no exemptions to the transient guest tax, and no good public policy reason for granting what would be the only exemption in the State of Kansas.

The League of Kansas Municipalities and its member cities oppose HB 2201 in its present form. If the exemption from transient guest taxes were removed from the bill, we would not oppose it. Therefore, we request that the Committee delete sections 1 and 2 from HB 2201.

Thank you for your time and consideration on this matter.