

MINUTES OF THE HOUSE TAXATION COMMITTEE.

The meeting was called to order by Chairperson John Edmonds at 9:00 a.m. on February 4, 2003 in Room 519-S of the Capitol.

All members were present except: Representative Ruby Gilbert

Committee staff present: Chris Courtwright, Legislative Research Department  
Gordon Self, Office of the Revisor  
Carol Doel, Committee Secretary

Conferees appearing before the committee: Harriet Lang, Kansas Association of Broadcasting  
Gary McNair, KSNT-TV  
Michelle Stubblefield, Topeka Advertising Federation  
Marlee Carpenter, Kansas Chamber of Commerce  
Kenneth Daniel, NFIB

Others attending: See attached list

Chairman Edmonds welcomed Vice-Chairman David Huff back to the committee after a two week absence.

Representative Siegfried was recognized for the introduction of a bill pertaining to the application of fees on wireless communication for the purpose of funding 911 emergency equipment, facilities and manpower.

There were no objections. The bill will be introduced.

Chairman Edmonds requested Chris Courtwright, Legislative Research Department, give a briefing on **HB 2075** a bill eliminating sales tax exemptions for broadcast media and advertising agencies. Mr. Courtwright provided a state sales tax exemption summary for committee review. (Attachment 1)

Appearing before the committee as an opponent of **HB 2075** was Harriet Lang representing KAB (Kansas Association of Broadcasters). Her testimony expressed concern that if this bill became law three sales tax exemptions would be repealed. (Attachment 2)

Chairman Edmonds opened the floor for questions from the committee.

Next to address the committee was Gary McNair, Vice-President and General Manager of KSNT-TV also an opponent of **HB 2075**. Mr. McNair's testimony specifically addressed the sales tax exemption on the purchase of electricity and equipment necessary to produce their product. (Attachment 3)

Mr. McNair stood for questions from the committee.

Chairman Edmonds recognized Michelle Stubblefield, president of Topeka Advertising Federation who wished to address the committee in opposition to **HB 2075**. In the presented testimony, the Topeka Advertising Federation feels that as written the bill would result in services provided by licensed broadcast stations being taxed, but not those provided by independent production facilities, putting the stations at a disadvantage to both the production facilities and out of state stations that provide similar services. (Attachment 4)

Marlee Carpenter, Director of Taxation and Small Business, representing the Kansas Chamber of Commerce addressed the committee with their concerns regarding opposition to **HB 2075**. Ms. Carpenter's testimony included a list of sales tax on services from the latest Kansas, Inc. study as well as a letter from the Association of National Advertisers which explained how the felt this tax is economically unsound, too complex and expensive to administer effectively and that it sends an anti-business signal. (Attachment 5)

Chairman and C.E.O. of Midway Sales & Distributing, Inc, Mr. Kenneth Daniel, addressed the committee

CONTINUATION SHEET

MINUTES OF THE HOUSE TAXATION COMMITTEE at 9:00 a.m. on February 4, 2003 in Room 519-S of the Capitol.

with their concerns regarding the passage of **HB 2075**. Mr. Daniel's testimony supported the feeling that a 7% or 8% sales tax on broadcast advertising and advertising services would result in either a reduction in the amount of advertising or reduction elsewhere such as health insurance benefits and that a reduction in advertising would result in a reduction in sales. (Attachment 6)

Mr. Daniel stood for questions in support of his testimony.

Mr. Hal Hudson of the NFIB (National Federation of Independent Business) submitted written testimony only for review by the committee. This testimony expressed the feeling that small business owners are already overburdened with taxes and that **HB 2075** would increase their burden. (Attachment 7)

With time not permitting testimony on **HB 2077** as scheduled, Chairman Edmonds announced that his intention was to hear testimony on this bill on Friday, February 7<sup>th</sup>.

With no further business, meeting adjourned at 10:40 a.m.

GUEST LIST

DATE February 4, 2003

NAME	REPRESENTING
Christy Caldwell	Topeka Chamber of Comm.
Kathy P. Patten	PTN
Sam Williams	Sullivan Higdon & Sink
Andy Shaw	PMCA
Marsha Strahm	CUA of Ks.
Maureen Carpenter	KORE
Martha Ann Smith	KS Mfg. Housing Assn.
Bernie Koch	Wichita Area Chamber
Ken Daniel	NFIB & MIDWAY WHOLESOME
Natalie Brugh	WIBA
SHELBY SWICK	GRW Corp.
Tim Gractner	SBC
Rebecca Zupich	Federico Consulting
Deann Williams	KMCA
Mike Murray	Sprint
Phil Seeber	Hein Law Firm
Mike Roedel	AT&T
Chris Confield	TAF
Jackie Clay	Hallmark Cards Inc
LARRY R BAKER	LICM
Dina Frank	Kaiser Engineers
Sandy Braden	Angolan



**State Sales Tax Exemptions Summary**

Statute	Description of Exemption or Exclusion	Recent Revision	FY 2002 (\$ in Millions)	FY2003 (\$ in Millions)	FY2004 (\$ in Millions)	FY2005 (\$ in Millions)	FY2006 (\$ in Millions)
Tax Rate			4.9%	5.3% (July 1)	5.3%	5.2% (July 1)	5.0% (July 1)
Annual Increase			2.25%	2.75%	2.75%	2.75%	2.75%
3602 (e)	Definition of retail sales, exempting wholesale sales and sales for resale		\$ -	\$ -	\$ -	\$ -	\$ -
3603 (b)	Taxes telephone and telegraph services except certain WATS and private data lines. Bundling of services added in 2001. Modified pre-paid calling cards - removed phrase dealing with sold in minutes (no fiscal impact).	Rev 2001 SB 1 Rev 2002 SB 39	\$ 1.058	\$ 1.168	\$ 1.208	\$ 1.220	\$ 1.209
3603 (e)	Admission to any cultural and historical event which occurs triennially	Revised 1994	\$ -	\$ -	Minimal	\$ -	\$ -
3603 (f)	Coin operated Laundry Services		\$ 0.268	\$ 0.296	\$ 0.305	\$ 0.308	\$ 0.305
3603 (g)	Service of renting of rooms by holds or accommodation brokers to federal government or any federal employee in performance of official government duties.	2002 SB39	\$ 0.087	\$ 0.096	\$ 0.099	\$ 0.100	\$ 0.099
3603 (h)	Service of leasing or renting machinery and equipment owned by city purchased with industrial revenue bonds prior to July 1, 1973		\$ -	\$ -	\$ -	\$ -	\$ -
3603 (m)	Fees and charges by any political subdivision, youth recreation organization exclusively providing services to persons 18 or younger organized as a 501(c)(3) for sports, games and other recreational activities and entry fees and charges for participation. In 1998, added fees and charges by any organization exempt by paragraph 9 of 79-201	Revised 1994 1998 SB493	\$ 0.662	\$ 0.731	\$ 0.752	\$ 0.759	\$ 0.752
3603 (n)	Dues charged by any organization pursuant to paragraph 8 and 9 of 79-201 (veteran & humanitarian organizations) and zoos	1998 SB493	\$ 0.244	\$ 0.269	\$ 0.277	\$ 0.280	\$ 0.277
3603 (o)	Motor vehicles exchanged for corporate stock, corporate transfer to itself and immediate family member sales		\$ 0.153	\$ 0.169	\$ 0.174	\$ 0.175	\$ 0.174
3603 (p)	Labor services of installing or applying property in original construction of a building or facility or the construction reconstruction, restoration, replacement or repair of a residence, bridge or highway	1998 SB493	\$ 66.540	\$ 73.486	\$ 75.507	\$ 76.241	\$ 75.576
3603 (q)	Exemption for Service of repairing, servicing, maintaining custom computer software as described in section 3603 (s)	1988 Amended 2002 SB39	\$ -	\$ -	\$ -	\$ -	\$ -
3603 (s)	Customized computer software and services for modifying software for single end use and billed as a separate invoiced item	1988 Amended 2002 SB39	\$ 15.766	\$ 17.411	\$ 17.899	\$ 18.064	\$ 17.907
3603 (v)	Sales of bingo cards, bingo faces and instant bingo tickets. Tax rate 2.5 on July 1, 2001 to June 30, 2002; exempt on July 1, 2002	2000 HB 2013	\$ 2.000	\$ 2.209	\$ 2.270	\$ 2.292	\$ 2.272
3606 (a)	Motor fuels and items taxed by sales or excise tax	1999	\$ 170.200	\$ 187.967	\$ 193.136	\$ 195.015	\$ 193.313
3606 (b)	Property or services purchases by State of Kansas, political subdivision, nonprofit hospital or blood /donor bank. In 2001, deleted sales of water to make purchases for water suppliers exempt. ( Natural FN due to Clean Water Fee)	2001 SB 332	\$ 242.200	\$ 267.483	\$ 274.838	\$ 277.512	\$ 275.091
3606 (c)	Property or services purchased and leasing by elementary or secondary schools and educational institutions		\$ 42.800	\$ 47.268	\$ 48.568	\$ 49.040	\$ 48.612
3606 (d)	Property or services purchased by contractor for building or repair of buildings for nonprofit hospital, elementary or secondary schools or nonprofit educational institutions		\$ 87.070	\$ 96.159	\$ 98.803	\$ 99.765	\$ 98.894
3606 (e)	Property or services purchases by federal government, its agencies or instrumentalities		\$ 4.052	\$ 4.475	\$ 4.598	\$ 4.643	\$ 4.603
3606 (f)	Property purchased by railroad or public utility for use in the movement of interstate commerce		\$ 11.369	\$ 12.556	\$ 12.901	\$ 13.027	\$ 12.913
3606 (g)	Sales, repair or modification of aircraft sold for interstate commerce directly through an authorized agent	1998 SB493	\$ 4.753	\$ 5.249	\$ 5.394	\$ 5.446	\$ 5.398
3606 (h)	Rental of nonsectarian textbooks by elementary or secondary schools		\$ 0.700	\$ 0.773	\$ 0.794	\$ 0.802	\$ 0.795
3606 (i)	Lease or rental of films, records, tapes, etc. by motion picture exhibitors		\$ 1.250	\$ 1.380	\$ 1.418	\$ 1.432	\$ 1.420
3606 (j)	Meals served without charge to employees if duties include furnishing or sale of such meals or drinks		\$ 2.770	\$ 3.059	\$ 3.143	\$ 3.174	\$ 3.146
3606 (k)	Vehicles, trailers or aircraft purchased and delivered out of state to a nonresident		\$ 11.300	\$ 12.480	\$ 12.823	\$ 12.948	\$ 12.835
3606 (l)	Isolated or occasional sales, except motor vehicles		\$ -	\$ -	\$ -	\$ -	\$ -
3606 (m)	Property which becomes an ingredient or component part of property or services produced or manufactured for ultimate sale at retail		\$ 1,645.559	\$ 1,817.335	\$ 1,867.312	\$ 1,885.478	\$ 1,869.026

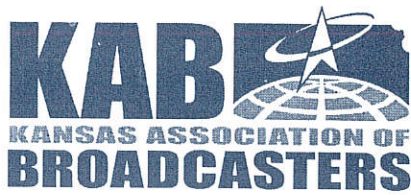
House Taxation  
Attachment 1  
Date 2-4-03

State Sales Tax Exemptions Summary

Statute	Description of Exemption or Exclusion	Recent Revision	FY 2002 (\$ in Millions)	FY2003 (\$ in Millions)	FY2004 (\$ in Millions)	FY2005 (\$ in Millions)	FY2006 (\$ in Millions)
Tax Rate			4.9%	5.3% (July 1)	5.3%	5.2% (July 1)	5.0% (July 1)
Annual Increase			2.25%	2.75%	2.75%	2.75%	2.75%
3606 (n)	Property consumed in the production, manufacturing, processing, mining, drilling, refining or compounding of property; or irrigation of crops for ultimate sale at retail. In 2000, added provision to eliminate refunds from the Johnson County Water case saving \$9M in FY 01.		\$ 215.905	\$ 238.443	\$ 245.000	\$ 247.384	\$ 245.225
3606 (o)	Sales of animals, fowl, aquatic plants, and animals used in agriculture or aquaculture, for production of food for human consumption, the production of animal, dairy, poultry, or aquatic products, fiber or fur or the production of offspring.		\$ 121.520	\$ 131.440	\$ 131.440	\$ 132.719	\$ 131.561
3606 (p)	Sales for prescription drugs	1999 SB 45	\$ 51.500	\$ 56.876	\$ 58.440	\$ 59.009	\$ 58.494
3606 (q)	Sales of insulin dispensed by pharmacist for treatment of diabetes		\$ 0.398	\$ 0.439	\$ 0.451	\$ 0.456	\$ 0.452
3606 (r)	Sales of prosthetic or orthopedic appliances prescribed by a doctor.	Amended 1997	\$ 5.990	\$ 6.615	\$ 6.797	\$ 6.863	\$ 6.803
3606 (s)	Sales of property or services purchased by a groundwater management district		\$ 0.031	\$ 0.034	\$ 0.035	\$ 0.035	\$ 0.035
3606 (t)	Sales of farm or aquaculture machinery and equipment, parts and services for repair and replacement		\$ 35.035	\$ 35.035	\$ 35.035	\$ 35.376	\$ 35.067
3606 (u)	Leases or rentals of property used as a dwelling for more than 28 consecutive days.		\$ 0.534	\$ 0.589	\$ 0.605	\$ 0.611	\$ 0.606
3606 (v)	Sales of food products purchased by contractor for use in preparing meals for delivery to homebound elderly persons		\$ 0.608	\$ 0.671	\$ 0.689	\$ 0.696	\$ 0.690
3606 (w)	Sales of natural gas, electricity, heat, & water delivered through mains, lines or pipes to residential premises for noncommercial use, for agricultural use (to include propane gas), for use in severing oil and any property exempt from property taxation		\$ 62.748	\$ 69.298	\$ 71.204	\$ 71.897	\$ 71.269
3606 (x)	Sales of propane, gas, LP-gas, coal, wood, and other fuel sources for the production of heat or lighting for noncommercial use in a residential premise		\$ 11.952	\$ 13.200	\$ 13.563	\$ 13.695	\$ 13.575
3606 (y)	Sales of materials and services used in repairing, maintaining, etc., of railroad rolling stock used in interstate commerce		\$ 0.685	\$ 0.757	\$ 0.778	\$ 0.785	\$ 0.779
3606 (z)	Property and services purchased directly by a port authority or a contractor therefor.		Minimal	Minimal	Minimal	Minimal	Minimal
3606 (aa)	Materials and services brought into Kansas for usage outside of Kansas for repair, services, alteration, maintenance, etc. used for the transmission of liquids or national gas by a pipeline in interstate commerce		Minimal	Minimal	Minimal	Minimal	Minimal
3606 (bb)	Used mobile and manufactured homes		\$ 3.245	\$ 3.334	\$ 3.426	\$ 3.459	\$ 3.429
3606 (cc)	Property or services purchased for constructing, recon-structing, enlarging or remodeling a business; sale and installation of machinery and equipment purchased for installation in such business. (Enterprise Zone Exemption)		\$ 48.000	\$ 53.011	\$ 54.468	\$ 54.998	\$ 54.518
3606 (dd)	Property purchased with food stamps issued by US Department of Agriculture		\$ 5.550	\$ 6.129	\$ 6.298	\$ 6.359	\$ 6.304
3606 (ee)	Lottery tickets and shares made as part of a lottery operated by the State of Kansas		\$ 9.12	\$ 10.076	\$ 10.353	\$ 10.454	\$ 10.363
3606 (ff)	New mobile or manufactured homes to the extent of 40% of the gross receipts		\$ 2.380	\$ 2.628	\$ 2.700	\$ 2.727	\$ 2.703
3606 (gg)	Property purchased with vouchers issued pursuant to the federal special supplemental food program for women, infants and children		n/a	n/a	n/a	n/a	n/a
3606 (hh)	Medical supplies and equipment purchased by nonprofit skilled nursing home or intermediate nursing care home for providing medical services to residents		\$ 0.762	\$ 0.842	\$ 0.865	\$ 0.873	\$ 0.865
3606 (ii)	Property purchased by nonprofit organization for nonsectarian comprehensive multidiscipline youth development programs and activities and sales of property by or on behalf of such organization	1998 SB493	\$ 1.923	\$ 2.123	\$ 2.182	\$ 2.203	\$ 2.184
3606 (jj)	Property and services, includes leasing of property, purchased for community-based mental retardation facility or mental health center.		\$ 1.766	\$ 1.950	\$ 2.004	\$ 2.024	\$ 2.006
3606(kk)	Machinery and equipment used directly and primarily in the manufacture, assemblage, processing, finishing, storing, warehousing or distributing of property for resale by the plant or facility.	1998 HB2584	\$ 84.769	\$ 93.618	\$ 96.193	\$ 97.128	\$ 96.281
3606 (ll)	Educational materials purchased for distribution to the public at no charge by a nonprofit public health corporation		\$ 0.059	\$ 0.066	\$ 0.067	\$ 0.068	\$ 0.067

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Annual Increase			2.25%	2.75%	2.75%	2.75%	2.75%
3606 (mm)	Seeds, tree seedlings, fertilizers, insecticides, etc., and services purchased and used for producing plants to prevent soil erosion on land devoted to agricultural use.	1988 HB2626	\$ 0.700	\$ 0.773	\$ 0.794	\$ 0.802	\$ 0.795
3606 (nn)	Services rendered by advertising agency or broadcast station		\$ 3.100	\$ 3.424	\$ 3.518	\$ 3.552	\$ 3.521
3606 (oo)	Property purchased by a community action group or agency to repair or weatherize housing occupied by low income individuals.		Minimal	Minimal	Minimal	Minimal	Minimal
3606 (pp)	Drill bits and explosives used in the exploration and production of oil or gas		\$ 0.295	\$ 0.326	\$ 0.334	\$ 0.338	\$ 0.335
3606 (qq)	Property and services purchased by a nonprofit museum or historical society which is organized under the federal income taxation code as a 501 (c)(3)		\$ 0.289	\$ 0.319	\$ 0.328	\$ 0.331	\$ 0.328
3606 (rr)	Property which will admit purchases to an annual event sponsored by a nonprofit organization organized under the federal income taxation code as a 501 (c)(3)		\$ 0.024	\$ 0.027	\$ 0.027	\$ 0.027	\$ 0.027
3606 (ss)	Property and services purchased by a public broadcasting station licensed by FCC as a noncommercial educational television or radio station.		Minimal	Minimal	Minimal	Minimal	Minimal
3606 (tt)	Property and services purchased by not-for-profit corporation for the sole purpose of constructing a Kansas Korean War memorial and is organized under the federal income taxation code as a 501 (c)(3)	1996 HB2656		\$ -	\$ -	\$ -	\$ -
3606 (uu)	Property and services purchased by rural fire fighting organization	1997 SB184	Minimal	Minimal	Minimal	Minimal	Minimal
3606 (vv)	Property purchased by the following organizations who are organized under the federal income taxation code as a 501 (c)(3): American Heart Association, Kansas Affiliate; Kansas Alliance for the Mentally Ill, Inc.; Kansas Mental Illness Awareness Council; In 2001, Parkinson's and National Kidney Foundation added	1997 SB184, 2001 HB 2029	\$ 0.069	\$ 0.076	\$ 0.078	\$ 0.079	\$ 0.078
3606 (ww)	Property purchased by the Habitat for Humanity for use within a housing project	1997 SB184	\$ 0.084	\$ 0.093	\$ 0.095	\$ 0.096	\$ 0.095
3606 (xx)	Property and services purchases by nonprofit zoo or on behalf of a zoo by an entity that is a 501(c)(3)	1998 SB493	\$ 0.442	\$ 0.488	\$ 0.501	\$ 0.506	\$ 0.501
3606 (yy)	Property and services purchased by a parent-teach association or organizations and all sales of tangible personal property by or on behalf of such association	1998 SB493	\$ 0.415	\$ 0.458	\$ 0.471	\$ 0.475	\$ 0.471
3606 (zz)	Machinery and equipment purchased by over-the-air free access radio or television station used directly and primarily for producing signal or the electricity essential for producing the signal.	1998 SB493	\$ 0.697	\$ 0.769	\$ 0.791	\$ 0.798	\$ 0.791
3606(aaa)	Property and services purchased by religious organizations and used exclusively for religious purposes	1998 SB493	\$ 12.700	\$ 14.026	\$ 14.411	\$ 14.552	\$ 14.425
3606 (bbb)	Sales of food for human consumption by organizations exempt by 501(c)(3) pursuant to food distribution programs which offers such food at a price below cost in exchange for the performance of community service by the purchaser.	1998 SB493	Minimal	Minimal	Minimal	Minimal	Minimal
3606 (ccc)	Property and services purchases by health care centers and clinics who are serving the medically underserved.	1999 SB 45	\$ 0.276	\$ 0.305	\$ 0.314	\$ 0.317	\$ 0.314
3606 (ddd)	Property and services purchases by any class II or III railroad (shortline) for track and facilities used directly in interstate commerce. Only for calendar year 1999.	1999 SB 45	n/a	n/a	n/a	n/a	n/a
3606 (eee)	Property and services purchases for reconstruction, reconstruction, renovation, repair of grain storage facilities or railroad sidings. Only for calendar year 1999 and 2000.	1999 SB 45, 2000 SB 59	n/a	n/a	n/a	n/a	n/a
3606 (fff)	Material handling equipment, racking systems and other related machinery & equipment used for the handling, movement or storage of tangible personal property in a warehouse or distribution facility; installation, repair & maintenance services performed on & repair and replacement parts on such machinery and equipment.	2000 HB 2011	\$ 4.590	\$ 5.069	\$ 5.209	\$ 5.259	\$ 5.213
3606 (ggg)	Property and services purchased by or on behalf of the Kansas Academy of Science.	2000 SB 59	Minimal	Minimal	Minimal	Minimal	Minimal
	Total		\$ 3,000.975	\$ 3,307.413	\$ 3,391.674	\$ 3,424.671	\$ 3,394.788



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Testimony Before House Taxation Committee  
February 4, 2003  
HB 2075

Mr. Chairman and members of the Committee, I am Harriet Lange with the Kansas Association of Broadcasters. KAB's membership is comprised of radio and television stations that serve Kansas. We appreciate the opportunity to appear before you to express our concerns with HB 2075.

Three sales tax exemptions would be repealed if the bill becomes law:

- 1) ". . . all sales of services rendered by an advertising agency or licensed broadcast station..." Found on page 13 of the bill, line 23, KSA 79-3606 (nn)

This language was added in 1988 to hold the Department of Revenue at bay - to maintain the status quo. KDOR had written a regulation that would have taxed some professional services provided by the advertising community. These production/creative (professional) services were exempt under the sales tax act. The regulation was a departure from legislative intent and past DOR policy and constituted a substantial change by expanding the tax base.

Although this exemption addresses only creative/production services, I'm also going to address why taxing the sale of advertising time and space (another professional service not taxed) is not good public policy.

There will be economic repercussions if the sale of advertising or advertising services become subject to sales tax:

- A tax on advertising or advertising services would increase the cost of doing business for all businesses and would place a disproportionate burden on small and emerging businesses;
- Tax measures which discourage advertising will exacerbate our sluggish economy;
- Kansas businesses who provide advertising services would be placed at a disadvantage with their competitors in other states; and
- A tax on advertising would cause chaos with national ad buys as it did in the state of Florida several years ago. Florida enacted a tax on professional services, including advertising, and later rescinded it because of the devastating impact it had on Florida's economy.

House Taxation  
Attachment 2  
Date 2-4-03



- 2) "all sales of tangible personal property and services purchased by a public broadcasting station . . ." Found on page 13, line 42, KSA 79-3606 (ss)

This language was added in the early 1990s to treat all public stations the same. Prior to its enactment, university-licensed stations were exempt, such as KTWU TV in Topeka, while 501 (c) 3 stations not licensed to a university were not exempt, such as KPTS TV in Wichita. Attached to my testimony is a letter from Richard Hicks, chairman of the Kansas Public Broadcasting Council. Because of the nature of funding of public broadcasting, Mr. Hicks makes the point that ". . . a repeal of the exemption would impose a tax on State funds for the State's benefit. There would be little benefit to the State of Kansas in repealing the exemption to public broadcasters . . ."

- 3) "all sales of machinery and equipment purchased by over-the-air, free access radio or television stations. . . and all sales of electricity" . . . required to produce and put a broadcast signal on the air. Found on page 16, line 11, KSA 79-3606(zz)

This exemption was enacted in 1998 and addressed an inequity that existed in our sales tax law. Newspapers, which are broadcasters' primary competitors for advertising revenue, were able to take advantage of the sales tax exemption on machinery, equipment and utilities granted to manufacturers. Radio and television stations could not. Therefore, prior to this exemption, the state was providing a competitive advantage to newspapers over broadcasters. The exemption in 79-3606(zz) leveled the playing field.

With the onslaught of digital technology, radio and television stations have and will continue to make significant capital expenditures for equipment. This exemption means a great deal to Kansas radio and television stations as they make these investments to better serve their local communities and your constituents.

KAB urges you to oppose repeal of these exemptions.

Thank you for your consideration.



**Chair**

Richard L. Hicks  
CEO/General Manager  
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**Council Members**

Eugene Williams  
General Manager  
KTWU-TV, Topeka

Don Checots  
General Manager  
KPTS-TV, Wichita

Ken Baker  
Program Director  
KHCC-FM, Hutchinson  
KHCD-FM, Salina  
KHCT-FM, Great Bend

Larry Jackson  
Station Manager  
KKSU-AM, Manhattan

Bill Reed  
President  
KCPT-TV, Kansas City, MO

Missi Kelly  
General Manager  
KRPS-FM

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# Kansas Public Broadcasting Council

Honorable Kansas Legislators:

Kansas public broadcasters provide a number of educational, cultural, historical and informational programs to Kansans. With four public television stations and six radio stations serving Kansas, we appreciate our public service role and look forward to strengthening that role in the future.

As House Bill 2075 begins its review, we feel it imperative to express our concerns over the implications that a repeal of KSA 79-3606 (ss) will have for public broadcasters. Of the nine public radio and television stations operating in the state of Kansas, only three are organized under IRS code 501(c)(3), the other six deriving their tax exempt status from their University parent organizations.

The state of Kansas has made significant investments in public broadcasting over the years. And due to this investment, Kansans have been able to educate children, participate in the legislative process, listen to and view a world beyond our borders and become a much better informed citizenry. Repeal of the current broadcast exemptions will impact the sensitive nature of this relationship that we share with our listeners and viewers.

As many of you know, the cost of digital conversion equipment is very expensive. In fact, much of this investment, as well as regular operating costs, is made with funds granted by the State of Kansas and the U.S. Government. It would appear that a repeal of the exemption would, in large part, impose a tax on State funds for the State's benefit. There would be little benefit to the State of Kansas in repealing the exemption to public broadcasters and we urge you not to do so.

Respectfully,

Richard Hicks  
Chairman  
Kansas Public Broadcasting Council



Testimony before the House Taxation Committee

**RE: HB 2075**

By Gary McNair, Vice President and General Manager  
KSNT-TV, Topeka (NBC)

February 4, 2003

Thanks for the opportunity to speak with you concerning HB 2075. I am vice-president and general manager of KSNT-TV, the local NBC affiliate in Topeka. We are owned by Emmis Communications, based in Indianapolis, Indiana. Emmis owns a total of five full-power television stations in Kansas. The others are located in Oberlin, Great Bend, Garden City and Wichita.

My station, KSNT, is trying hard to be the station known for being "Clear – Accurate – and To the Point." I'll do my best to live up to that slogan this morning. I'm speaking specifically to the sales tax exemption on the purchase of electricity and equipment necessary to produce our product. This exemption puts us on a level playing field with our newspaper competitors who were already participating in the manufacturers' machinery and equipment exemption. We are essentially in the same business of providing news, information and entertainment to the people of Kansas. I can only guess as to why we were not afforded the exemption earlier. It must have had something to do with us providing our product for free. It was an equity issue then – and it remains that way today.

I can also tell you today that small market television stations are facing a major challenge. The federally mandated transition to a digital system is very expensive. The question of survival is very real for many rural broadcasters. Please keep that in mind. I think most of us would like to see broadcasters continue to provide (at no cost) entertainment, news, weather and emergency information to Kansans in all areas of this state.

Again, thanks for this opportunity. I welcome any questions or comments.

House Taxation  
Attachment 3  
Date 2-4-03

## Opposition to House Bill 2075

Good morning,  
Chairman Edwards and all members of the House Taxation Committee

I am Michelle Stubblefield, president of Topeka Advertising Federation. I am testifying this morning on behalf of the organization and its members. The Topeka Ad Fed and our national organization the American Advertising Federation represent all aspects of the advertising industry – clients, advertising agencies and media companies.

I am here to express our opposition to House Bill 2075 which would remove the tax exemption for advertising agency services and services provided by broadcast stations. This bill disregards the many positive contributions of advertising to Kansas's consumers and the economy.

Advertising is a valuable source of product and price information for consumers. It encourages innovation and competition resulting in better and lower priced products. Advertising funds the media and stimulates sales – resulting in higher sales tax revenues. All of these positive contributions would be lessened if House Bill 2075 were to become law.

The most direct effect of this legislation would be to put Kansas advertising agencies and broadcasters at a competitive disadvantage to agencies and production facilities in Missouri, Oklahoma and other states. Advertising is a portable and competitive industry. Most clients will simply not pay a premium to do business in Kansas when a substantial savings can be realized by taking their business across to border states. The few businesses that are not able to leave the state are usually small locally owned businesses – that can least afford to pay more for agency services.

Some businesses use internal departments to create their advertising. Advertising created by these “internal agencies” would not be taxed, giving those businesses a competitive advantage over those that use advertising agencies.

As written, the bill would result in services provided by licensed broadcast stations being taxed, but not those provided by independent production facilities, putting the stations at a disadvantage to both the production facilities and out of state stations that provide similar services.

The Topeka Advertising Federation commends the committee for doing the important work of reviewing the tax exemptions, but urge you to maintain the exemption for services provided by advertising agencies and broadcast stations.

Thanks you for your consideration of our views.

Presented: 02/04/2003

Presented by: Michelle Stubblefield, President, Topeka Advertising Federation

House Taxation  
Attachment 4  
Date 2-4-03

# LEGISLATIVE TESTIMONY



*The Unified Voice of Business*

835 SW Topeka Blvd. • Topeka, KS 66612-1671 • 785-357-6321 • Fax: 785-357-4732 • E-mail: [kcci@kansaschamber.org](mailto:kcci@kansaschamber.org) • [www.kansaschamber.org](http://www.kansaschamber.org)

HB 2075

February 4, 2003

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony before the House Taxation Committee

By Marlee Carpenter, Director of Taxation and Small Business

Chairman Edmonds and members of the Committee:

I am Marlee Carpenter with the Kansas Chamber of Commerce and Industry testifying in opposition to HB 2075. We believe that in order to keep Kansas competitive, the cost of doing business in the state cannot be increased. KCCI opposes the blanket repeal of sales tax exemptions. Each exemption was justified at the time of enactment and voted on by legislators in your same position. Sales tax exemptions should be looked at as a whole, within the context of the entire tax structure. Sales tax exemptions make Kansas competitive with other states and/or avoid the double taxation of goods and services.

I have attached a list of sales tax on services from the latest Kansas, Inc. study. As you can see, none of the surrounding states have a sales tax on advertising services. If Kansas was to tax advertising services, the companies would simply move out of state so they would not be subject to the tax. This would be anti-competitive, anti-growth, and anti-jobs for Kansas. A tax on advertising services would increase the cost of doing business and would send this industry out of state. Arizona, Iowa and Florida have passed taxes on advertising and later repealed the tax because it hurt their local economy and was impossible to administer.

Attached to my testimony is a letter from the Association of National Advertisers. They explain how this tax is economically unsound, too complex and expensive to administer effectively, and sends an anti-business signal.

KCCI opposes the repeal of the sales tax exemption in HB 2075. KCCI believes that in order to keep Kansas competitive, the cost of doing business in the state cannot be increased. Thank you for your time and I will be happy to answer any questions.

House Taxation  
Attachment 5  
Date 2-4-03

**About the Kansas Chamber of Commerce and Industry**

The Kansas Chamber of Commerce and Industry (KCCI) is the leading broad-based business organization in Kansas. KCCI is dedicated to the promotion of economic growth and job creation and to the protection and support of the private competitive enterprise system.

KCCI is comprised of nearly 2,000 businesses, which includes 200 local and regional chambers of commerce and trade organizations that represent more than 161,000 business men and women. The organization represents both large and small employers in Kansas. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.



**Business Taxes and Costs:  
A Cross State Comparison  
2001 Update**

administered by

**Charlie Ranson,  
President**

and

**Kent Qandil,  
Senior Research Analyst**

of

**Kansas, Inc.**

authored by

**Patricia Oslund  
David Burress**

and

**Luke Middleton,**

**Research Economists**

of the

**Policy Research Institute  
University of Kansas**

December 2001

## APPENDIX 2: TAXATION OF SERVICES BY STATE

Taxation of Services Used by Businesses, 1996

TYPE OF SERVICE	CO	IA	KS	MO	NE	OK
<i>Business Services</i>						
* Billboard advertising						
* Radio and TV advertising: national						
* Radio and TV advertising: local						
* Newspaper advertising						
* Magazine advertising						
* Ad agency fees						
Armored car services		x				
Bail bond fees						
Check and debt collection						
Commercial art and graphic design					x	
Commercial linen supply		x	x		x	x
Credit information, credit bureaus						
Employment agencies		x				
Interior design		x				
Maintenance and janitorial		x				
Lobbying and consulting						
Marketing						
Packing		x	x			
Exterminating		x	x			
Photocopy services		x	x		x	x
Photo finishing	x	x	x	x	x	x
Printing	x	x	x	x	x	x
Private Investigation			x			
Process serving fees						



Presentation to the House Taxation Committee  
February 4 2003

By Kenneth L. Daniel  
Chairman and C.E.O., Midway Sales & Distributing, Inc. d/b/a Midway Wholesale  
and  
2003 Chairman, Kansas Leadership Council,  
National Federation of Independent Business

Mr. Chairman and Members of the Committee:

My name is Kenneth Daniel. I am the C.E.O. of Midway Wholesale, a building materials distributor headquartered in Topeka with five branches in other Kansas cities, plus one in Missouri and one in Arkansas. I am also the Chairman of NFIB/Kansas, a volunteer position.

I speak in opposition to House Bill 2075. Advertising is vitally important to small businesses—in fact, it is a vitally important cog in our economy. Many business startups would never get off the ground or even be attempted without advertising, and broadcast advertising is as important or even more important than printed advertising.

Seven or eight percent in sales taxes on broadcast advertising and advertising services will result in either a reduction in the amount of advertising or a reduction somewhere else—health insurance benefits, for instance. A reduction in advertising will result in a reduction in sales. Throwing sales taxes on advertising is the same as throwing cold water on our Kansas economy—not enough to drown it, but enough to dampen it down even more.

On the other side of the equation, most of the radio stations and advertising agencies in Kansas are small businesses. Many are community assets that will be sorely missed if they go out of existence.

I encourage you to vote against House Bill 2075. Thank you. I will be happy to answer any questions.

House Taxation  
Attachment 6  
Date 2-4-03

KANSAS

Statement by Hal Hudson, State Director  
National Federation of Independent Business  
Before the House Taxation Committee  
On House Bill 2075 and 2077  
February 4, 2003

Mr. Chairman and Members of the Committee:

Thank you for allowing me this opportunity to speak to you.

My name is Hal Hudson, and I am the State Director for the National Federation of Independent Business. I appear before you today to oppose enactment of HB 2075 and 2077.

NFIB membership includes over 6,000 small and independent businesses across the state. The majority of our members have 15 or fewer employees, while collectively they employ over 57,000 Kansans, and have aggregate annual sales of over \$6 billion.

Small business owners already are overburdened with taxes, and these two bills – HB 2075 and HB 2077 – are nothing less than another tax to be imposed and paid by small business owners.

I offer to you a quote from a well-known advocate of small business, as follows:

***“With unemployment rising, our nation needs more small businesses to open, more companies to invest and expand, more employers to put up that sign that says, ‘Help Wanted.’”***

President George W. Bush, January 28, 2003.

And, our nation needs for those small businesses already open to stay in business without suffering the burden of another tax increase.

Removal of the sales tax exemption for broadcasters and advertising agencies, and on telecommunications services not already taxed just places another tax burden on all the businesses that buy their services. Small businesses need to advertise to promote the sale of their products and services.

If they are fortunate enough to be able to hire additional employees, small businesses need the ability to advertise their services, and for that help. They need telephone services for applicants to get information about jobs, and they need to use their phones in the promotion of sales – without another tax imposed by removing these exemptions from current law.

Those from whom HB 2075 and HB 2077 would take away take away existing exemptions surely will pass these costs of doing business on to their customers – many of whom are the small businesses represented by NFIB.

I urge you to reject both of these bills, to help small business help the Kansas economy.