Approved: February 21, 2003
Date

MINUTES OF THE HOUSE TAXATION COMMITTEE.

The meeting was called to order by Chairperson John Edmonds at 9:00 a.m. on February 11, 2003 in Room 519-S of the Capitol.

All members were present except:	Representative Kirk Representative Owens
Committee staff present:	Chris Courtwright, Legislative Research Department April Holman, Legislative Research Department Gordon Self, Office of the Revisor Carol Doel, Committee Secretary
Conferees appearing before the committee:	Marlee Carpenter, Kansas Chamber of Commerce Bernie Koch, Wichita Chamber of Commerce Frank Meyer, Custom Metal Fabricators Hal Hudson, NFIB Leslie Kaufman, Kansas Farm Bureau Keith Miller, Farmer Todd Johnson, Kansas Livestock Doyle Pearl, Kansas Agribusiness Retailers Assoc. Denise Washburn, Hills Pet Nutrition Woody Moses, Redi-Mix Concrete Steve Miller, Sunflower Electrical Power Corporation Jeff Berke, CJS Industries Tony Kunis, Resers Fine Foods
Others attending:	See Attached List

Chairman Edmonds distributed an article entitled *A Blueprint for Streamlining Sales Tax* (Attachment1) and a copy of Kansas Sales Tax Exclusions and Exemptions, January 3, 2003, published by the Department of Revenue (Copy on record with the Department of Revenue).

Next item on the agenda was bill introductions. Chairman Edmonds recognized Representative Larry Powell who asked that a bill be introduced to exempt Masonic Lodges from property tax.

With no objections, Chairman Edmonds will accept this bill for introduction.

Chairman Edmonds asked for three bill introductions. The first bill would require out of state vendors wishing to do business in the State of Kansas must register and agree to collect sales tax on transaction service over the internet.

Hearing no objections that bill will be accepted for introduction.

The second bill would take a look at refundable credits for business and terminates refundability of the credits. In addition, unused credits would be subject to carryforward only, no carryback to prior years would be allowed.

Without objection, that will be accepted for introduction.

Thirdly, he requested the introduction of a bill that enacts a franchise fee and occupation tax, replacing the current franchise fee

With no objections, it will be accepted for introduction.

MINUTES OF THE HOUSE TAXATION COMMITTEE at 9:00 a.m. on February 11, 2003 in Room 519-S of the Capitol.

Hearing no one further wishing to introduce a bill, Chairman Edmonds closed the meeting for bill introductions and opened for hearing on **HB 2111.** The Chairman received a copy of the fiscal note from the Division of Budget which showed the fiscal impact from this bill to be an estimated $1,804,653,000. Prior to hearing testimony on **HB 2111** Chairman Edmonds requested an overview of the bill by Chris Courtwright of the Legislative Research Department.

Marlee Carpenter, representing the KCCI (Kansas Chamber of Commerce and Industry), testified before the committee as an opponent of **HB 2111.** It is the opinion of the KCCI that the passage of **HB 2111** would eliminate two important sales tax exemptions that are used in the manufacturing process, and that in order to keep Kansas competitive, the cost of doing business in the state cannot be increased. (Attachment 2)

Next to appear in opposition of **HB 2111** was Bernie Koch, Wichita Area Chamber of Commerce. It is their feeling that consumers, in the end, will be paying the sales tax on the raw material to make a product, and then pay the sales tax on the sales tax. The higher costs mean our products are less competitive. (Attachment 3)

Frank Meyer, Chairman, C.E.O. of Custom Metal Fabricators in Herington, Kansas. Mr. Meyer's testimony in opposition of **HB 2111** revealed that the disadvantages of a tax repeal would outweigh the advantages 4 to 1. (Attachment 4)

NFIB(National Federation of Independent Business) representative Hal Hudson voiced opposition to **HB 2111.** In his testimony, Mr. Hudson explained their feeling that sales tax exemptions were granted to manufacturers, and to warehouse operators to encourage them to locate in Kansas, to remove that exemption would create the feeling that the State of Kansas no longer cares. (Attachment 5)

Leslie Kaufman, State Director of Kansas Farm Bureau Governmental Relations, addressed the committee in opposition of **HB 2111.** The feeling of Kansas Farm Bureau is that the sales tax exemptions were created to assist economic development and provide competitiveness with our neighboring states, therefore, the exemption should be maintained for sound economic development. (Attachment 6)

A farmer from Great Bend, Kansas, Keith Miller was next to testify before the committee in opposition to **HB 2111**. With the drought and low commodity prices in the last several years, Mr. Miller states that the repeal of the tax exemption allowed in **HB 2111** would be extremely detrimental to his farming operation and could indeed increase his costs by $8,000 to $12,000 annually. (Attachment 7)

Representing the Kansas Livestock Association, Todd Johnson stood before the committee to testify in opposition to **HB 2111.** Mr. Johnson brings concerns of a negative impact on his organization which already operates on a narrow profit margin. (Attachment 8)

Doyle Pearl, General Manager and owner of J.B. Pearl Sales & Service, Inc., St. Marys, Kansas, also voice opposition to **HB 2111.** In his testimony, Mr. Pearl expressed concerns of negative impact on his business if this bill were to be passed. (Attachment 9)

Hill's Pet Nutrition, Inc. was represented by Denise Washburn, Senior Corporate Tax Manage, who presented testimony in opposition to **HB 2011.** Hill's concern is the passage of this bill would have a long term devastating effect on any expansions and investments into the manufacturing facility in Topeka. (Attachment 10)

Woody Moses, Managing Director of the Kansas Aggregate Producers' Association, and the KRMCA(Kansas Ready Mixed Concrete Association) voice opposition to **HB 2111** stating that sales tax exemptions should be viewed as the development of tax policy as opposed to being a device for the raising of revenue and would affect the economic growth in the state. (Attachment 11)

Testifying in opposition of **HB 2111** was Steve Miller, Senior Manager, External Affairs, Sunflower Electric Power Corporation. There opposition expressed the opinion that the repeal of the sales tax exemption would impose tax on coal and natural gas supplies and it is estimated that cost to their consumers would be $1.7 million annually. (Attachment 12)

MINUTES OF THE HOUSE TAXATION COMMITTEE at 9:00 a.m. on February 11, 2003 in Room 519-S of the Capitol.

Jeff Berke, CPA, General Manager, CJS Industries, Inc. gave testimony in opposition to **HB 2111.** It is the opinion of CJS Industries that the passage of this bill would result an increased cost of capital which would reduced their ability to compete in the global market today. (Attachment 13)

The General Manager of Reser's Find Foods, Tony Kunis, testified as an opponent to **HB 2111** stating that in their opinion increased tax costs puts Kansas companies at a disadvantage with other states in the competitive market. (Attachment 14)

With no other opponents to testify before the committee, Chairman Edmonds closed the meeting for any further hearings on **HB 2111.**

Chairman Edmonds called to the attention of the committee members the written testimony which was provided for their review from Kansas Corn Growers (Attachment 15); Kansas Grain and Feed Association (Attachment 16); Greater Topeka Chamber of Commerce (Attachment 17); and Lenexa Chamber of Commerce (Attachment 18), and Kansas Cooperative Council (Attachment 19)

With no further business before the committee, Chairman Edmonds adjourned the meeting at 10:40 a.m.

HOUSE TAXATION COMMITTEE

GUEST LIST

DATE February 11, 2003

NAME	REPRESENTING
Bernie Koch	Wichita Area Chamber
Doug Wareham	KGFA/KARA
Diane Gjerstad	KS Coop Council
Doug Pearl	KARA
Laura Jo Pearl	JD Pearl Sales & Service, Inc
Brittany Pearl	Student
Christy Caldwell	Topeka Chamber of Commerce
Todd Johnson	KLA
DAVID EYERLY	ONXCO
Aaron Harries	KARA
Steve Miller	Sunflower Electric
Dave Holthaus	KEC
Frank Meyer	KCCF
Marcee Carpenter	KCCB
Doug Lawrence	Westar Energy
Jeff Bence	CJS Industries
George Petersen	KTN
Denise Washburn	Hill's Pet Nutrition
Leslie Kaufman	KFB
Ashley Sherard	Lenexa Chamber
Wendy McHarms	KRMCA
Woody Moses	KAPA

HOUSE TAXATION COMMITTEE

Page ____ of ____

GUEST LIST

DATE ______________________

NAME	REPRESENTING
[illegible]	[illegible]
Martha Jean Smith	KS Mfg. Housing Assn.
Scott Schneider	GBBA
John Federico	GM
[illegible] Clark	Hallmark Cards
Greg Krissek	KS Corn Growers
Ron Gaches	GBBA

A Blueprint for STREAMLINING SALES TAXES

An agreement on how to simplify sales taxes across state lines has been reached. Now it's up to legislatures to concur.

By Carl Tubbesing

Senator
Angela Monson
Oklahoma

"We'd been in so many hotels over the past two or three years," remembers Oklahoma Senator Angela Monson. "The same people, the same hollow square table, the same milling around, the same hallway conversations.

"Then, that morning last November, we took the vote and it was over. For me, at least, it took a few minutes to sink in. All of these people, from all of these states had just agreed to reform their sales tax systems. No one had ever done that before. Wholesale tax reform even in one state is rare. Doing it in 10 or 20 or more states at the same time is absolutely unprecedented. But we had done it—or, at least, had taken a gigantic step in that direction," she says.

What Monson and 99 other state legislators, legislative staff, state revenue officials and representatives of the private sector did was to vote to approve the Streamlined Sales and Use Tax Agreement. This action of the group known as the Streamlined Sales Tax Implementing States culminated a critical phase in a three-year project to allow states to collect taxes on remote sales—for example, Internet sales. Their decision sets the stage for consideration of the streamlined sales tax agreement during the 2003 legislative sessions.

"I was rushing through the Chicago airport following the meeting," continues Senator Monson, who now co-chairs the implementing states group, "and the enormity of what we had accomplished hit me. State officials had just approved a drastic reform of state sales tax systems.

"After a few seconds of euphoria, though, I realized that the first three years were easy. Now comes the really hard part—actually implementing the agreement in state legislatures," she says.

Forty-five states and the District of Columbia use sales taxes. No two systems, though, are exactly alike. They are, in fact, quite complex. The most obvious variation is in rates. The sales tax rate in Hawaii and several other states is 4.0 percent. In Missouri, though, the state rate is 4.225 percent. Rhode Island and Mississippi have a 7 percent rate. In a dozen states, there is only one rate. In the others, there are local sales taxes in addition to the state rate.

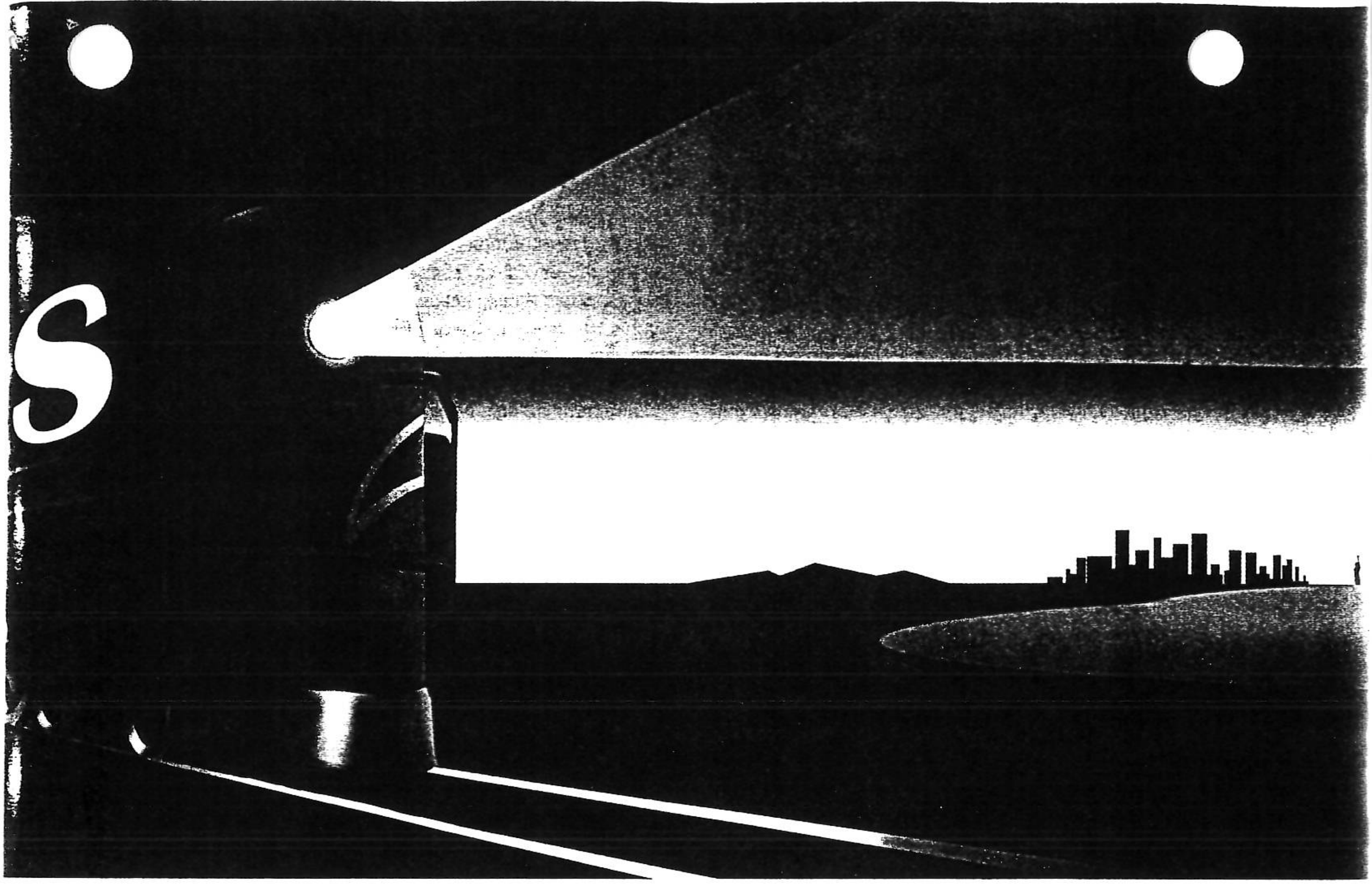
Some states tax food and drugs; others don't. In some states, snacks—like pretzels and potato chips—are not considered food, so they are taxed. In others, snacks are defined as food, so they are exempt. Some states have used sales tax holidays, for example, on children's clothing for a week or two before school begins in the fall. States also use many different sales tax return forms and employ various audit procedures for retailers.

SUPREME COURT CASES

It is this complexity that caused the U.S. Supreme Court, in two important cases, to rule that a state cannot require an out-of-state retailer to collect the sales tax on an item sold to one of its residents. Utah cannot force L.L. Bean, a catalogue and Internet seller based in Maine, to collect the

Carl Tubbesing is NCSL's deputy executive director. Neal Osten, NCSL's expert on the Streamlined Sales Tax Agreement, contributed to this story.

House Taxation
Attachment 1
Date 2-11-03



Utah sales tax when a Utah resident buys a pair of boots online. The consumer owes the tax, according to the Court, but the Utah revenue department cannot force L.L. Bean to collect it and send it to the state. University of Tennessee economist Bill Fox estimates that, by 2006, states will lose $45 billion a year in uncollected taxes on Internet sales.

The National Conference of State Legislatures and other state and local organizations have worked since the late 1980s to reverse or mitigate the effects of the two Supreme Court decisions—first, *National Bellas Hess vs. Illinois* and later *Quill vs. North Dakota.*

These joint efforts initially, but unsuccessfully, sought relief in Congress. More recently, they have focused on interstate cooperation in simplifying state sales taxes.

Senator
Steve Rauschenber
Oklahoma

NCSL formed a task force on taxation of electronic commerce in November 1998. Co-chaired by Illinois Senator Steve Rauschenberger and Tennessee Representative Matt Kisber, the task force developed the model legislation in January 2000 that led to creation of the Streamlined Sales Tax Implementing States.

The group is composed of representatives from 34 states and the District of Columbia that passed model legislation during their 2001 and 2002 sessions. The im-plementing states met monthly for a year to hammer out a comprehensive proposal for simplifying state and local sales taxes. Legislatures began considering this agreement last month.

VOLUNTARY SYSTEM

"The key to the interstate agreement," says Senator Rauschenberger, "is that it is voluntary. States will voluntarily join by adjusting their sales tax laws. Remote sellers—companies that make sales over the Internet or through catalogues—will volunteer to collect the sales tax for the states that have simplified their sales tax systems."

To participate, state sales tax statutes must conform with the provisions of the agreement. The hallmark of the agreement is its emphasis on uniformity, standardization and simplification.

Senator
Leticia Van de Putte
Texas

"Sales tax systems vary because states vary," says Texas Senator Leticia Van de Putte, new co-chair of NCSL's task force. "When legislatures define food in a certain way or set the rate at a certain level, it's a decision not made in a vacuum. They are reflecting the political forces and the political cultures in their states. What we have to do now—to respond to technology, and to the national and international marketplace—is forgo this complexity and make our sales taxes more uniform and simpler."

30 STANDARDS

The agreement includes at least 30 standards that states will have to meet to participate in the system. These provisions cover the major elements of state sales tax laws.

Some of the greatest complexities in sales tax laws occur in how they define items subject to the tax. When, for example, is a candy

1-2

WHAT THE CRITICS SAY

Illinois Senator Steve Rauschenberger has been co-chair of NCSL's task force on taxation of electronic commerce since it was created in 1998. Although he is one of the country's staunchest advocates for the streamlined sales tax agreement, he also recognizes that it has critics who have raised important arguments against it. Senator Rauschenberger responds here to some of the major concerns.

Q. How do you respond to critics who say this state effort to collect sales and use taxes on Internet sales is really just a way of imposing a new tax on consumers?

A. Of course, it isn't a new tax. The U.S. Supreme Court acknowledges that consumers owe the tax whether they walk down the street to buy something or purchase it from an out-of-state company. What the Court says is that states cannot force the out-of-state retailer to collect the tax for them, because the cost of doing that is simply too high. The streamlined agreement takes that as a cue. We've drastically reduced the complexity in sales tax systems and, therefore, have minimized the burden on the sellers.

Q. Is it possible that the agreement will encourage states to expand their sales tax base?

A. There is language in the agreement saying that it should not be interpreted as endorsing taxation of a particular item. It doesn't say you have to tax food. It just says if you do, do it this way. That could mean a slight expansion of the base in some states. But the intention is not to expand the base or create revenue. The intention is to make these sales tax systems simpler. It is one of countless trade-offs the implementing states agreed on.

Q. Some economists note there is a value in tax competition among states. Won't the agreement's emphasis on uniformity eliminate this competition?

A. The most important part of tax competition among states is about rates. If my state raises the sales tax rate, does that mean consumers will go to Wisconsin to buy a DVD player? Would a company view that as contributing to an unfriendly business climate? Those are legitimate concerns, but the streamlined agreement should not have an effect on that. It doesn't say that sales tax rates have to be uniform from state to state. The agreement has on-off switches. There's no reason to think that a state that has had a switch off for decades suddenly will turn it on. The lobbyists who worked to turn it off before will work to keep it off when the legislature approves the agreement.

Q. Will the agreement hurt the five states that do not have a sales tax?

A. No. According to the agreement, an out-of-state company collects the tax of the state of the consumer. If someone in Oregon, which does not have a sales tax, buys that proverbial pair of boots from L.L. Bean, the company would not collect a tax. A business in Oregon, however, that sells on-line would have to collect the tax for Missouri, say, if a Missourian bought something from that Oregon company.

bar not food? Thirty states have chosen not to tax food. However, many of those states tax candy. These states currently use different definitions of candy. Some tax Twix bars, which contain flour; others do not. The proposed agreement says what candy is—and, by the way, excludes Twix bars from the definition. The agreement does not tell states they must or must not tax candy. In fact, it goes out of its way to say that the agreement "shall not be construed as intending to influence a member state to impose a tax on or provide an exemption from tax for any item or service." However, if a state chooses to tax an item—say, candy—then it must use the agreement's definition of candy.

The agreement does not say whether a state should tax drugs. If the state elects to tax drugs, then it must use the agreement's definition. It does not say clothing should be taxed, but it lists what is to be considered clothing. Belts, for example, are clothes, but belt buckles, sold separately, are not.

Several of the agreement's provisions have this "on-off" feature. The agreement does not tell a state it can or cannot use sales tax holidays. If a state elects to use sales tax holidays, though, it must comply with several requirements established in the agreement. For example, it must provide notice to retailers at least 60 days before the first day of the quarter in which the holiday will take place.

SOME REQUIREMENTS STRICTER

Many of the agreement's requirements are not so permissive. For example, a state and its local jurisdictions must tax the same things. In tax talk, that means they must have the same base. (The exception to this is an allowance the agreement makes for states, such as Illinois and Missouri that currently allow local jurisdictions to tax food, even though the state does not.) Sales tax administration will have to be done by a state body.

The agreement establishes requirements for uniform tax returns and for remitting funds to the state from sellers. It provides for greater notice to sellers concerning rate changes and changes in local tax jurisdiction boundaries. It has a clearly defined set of requirements for sourcing a purchase—in other words, for determining which state or local sales tax applies. It has a detailed section on deducting for bad debts and another on protecting privacy and confidentiality.

Senator
Bill Clabough
Tennessee

Tennessee Senator Bill Clabough, a member of NCSL's task force and of the implementing states, says that the agreement is the "result of many large and small compromises.

"Much of the time," he says, "the tensions were between state revenue officials and legislators. The tax administrators, to their credit, were trying to construct an ideal system. The legislators were constantly thinking about how the system would work in their state and what it would take to get it passed."

The lawmakers who helped develop the agreement are strong advocates for it and are working to get it passed, Rauschenberger says. "NCSL just completed a survey of the legislators on its task force and those involved with the implementing states. All of them said they were introducing the agreement in their states and were working to get it approved."

1-3

I. .HE MONEY

The agreement's advocates offer different reasons for their support. Some start with the money. "It's really as simple and as complex as the money," says former Ohio Senate President Richard Finan. "We estimate that Ohio lost $448 million in sales tax revenue last year because of Internet sales. We are a fiscally conservative state with a fiscally conservative legislature. But we also have services to provide, and we have to balance our budget. Losing $448 million in taxes that are legally owed means we either have to cut services—education, health care, child care, economic development—or find the revenues somewhere else."

Rauschenberger puts the money argument into federalism terms. "For 45 states, the sales tax is a substantial portion of the revenue mix. The erosion of the sales tax because of remote sales weakens state governments and threatens their sovereignty. The consequence of letting a major revenue source become obsolete is that the states will revert to being dependents of the federal government."

Oklahoma Senator Monson adds that devolution makes the need for resources even more imperative. "Throughout the 1990s, state governments assumed responsibilities for many programs, such as welfare and children's health. Most state legislators felt this was the right thing to do—the right thing for federalism and the right thing for our constituents. Those responsibilities take resources. For many of us, the sales tax is a significant source of revenue—one we need to protect to make devolution successful."

FAIRNESS FOR MERCHANTS

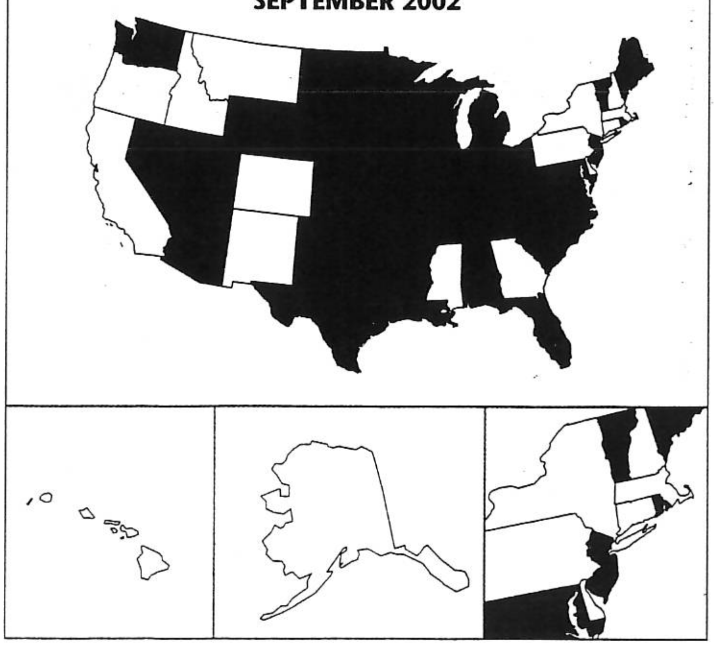
Some supporters of the agreement point also to fairness. They argue that Main Street retailers are at a disadvantage because they are required to collect sales taxes and remote sellers are not.

Maureen Riehl, vice president for the National Retail Federation, says the Supreme Court decisions require retailers with stores in a state to collect the tax. "That means," she says, "that big retailers like Sears and Target—as well as mom-and-pop stores—have the playing field tilted against them. They're collecting sales taxes, and Internet sellers are not. The so-called brick and mortar stores don't have anything against Internet sellers. In fact, many have their own Internet operations. It's just a question of being treated fairly."

Consideration of the agreement in state legislatures is generating attention from various interests on both sides of the question. Among the supporters are local governments, traditional retailers, telecommunications companies, shopping centers and realtors. Lined up in opposition are anti-tax groups and Internet sellers.

STREAMLINED SALES TAX IMPLEMENTING STATES

SEPTEMBER 2002



OUTLINE OF THE STREAMLINED SALES AND USE TAX AGREEMENT

The interstate agreement that has been sent to legislatures for consideration is a comprehensive and detailed approach for achieving uniformity and simplification in state sales taxes. The agreement is not a model act. Rather, it is a set of standards and provisions with which a state must comply to enter the voluntary system. Its major provisions are:

- Central administration of state and local sales and use taxes.
- Limits on state and local rates and rate changes.
- Limits on state and local rates after Dec. 31, 2005.
- Local jurisdictions limited to a single rate.
- States limited to a single general rate with an option of a single additional rate that could be zero on food and drugs.
- Central seller registration.
- Uniform sourcing rules.
- Telecommunications sourcing.
- Uniform procedures for exemptions.
- Uniform tax returns.
- Uniform definition of food and related items.
- Uniform definition for clothing.
- Uniform administrative definitions.
- Uniform definition for tangible personal property.
- Uniform definition for software.
- Uniform definition for drugs.
- Uniform definition for medical equipment.
- Uniform definition for leasing.
- Standardization of sales tax holidays.
- Elimination of caps and thresholds after Dec. 31, 2005.
- Privacy clarifications.
- Privacy protections.
- Amnesty for participating voluntary sellers.
- Outline of models for participation through technology.
- Outline for monetary allowances based on technology models.
- Uniform rounding rule.
- Customer remedy procedures.
- Requirements for direct pay procedures.
- Provisions for governance of the agreement that ensure legislative participation, certainty for sellers and procedures for resolving disputes with nonbinding, third-party arbitration.

1-4

YOU CAN'T TELL THE PLAYERS WITHOUT A SCORECARD

Numerous public and private groups have been involved in development of the Streamlined Sales and Use Tax Agreement. A thumbnail description of them and a listing of their Web sites are:

◆ Streamlined Sales Tax Implementing States. Thirty-four states and the District of Columbia passed model legislation that authorized them to develop an interstate agreement to simplify state sales taxes. State legislators, revenue officials and private sector representatives were appointed to the implementing states. Thirty states and the District of Columbia voted unanimously to approve the Streamlined Sales and Use Tax Agreement in November 2002. (Two of the implementing states did not send representatives to the meeting and officials from two other states abstained.)

◆ NCSL Task Force On State and Local Taxation of Telecommunications and Electronic Commerce. NCSL's Executive Committee created this task force at the end of 1998 to provide a forum for legislators and staff interested in the issues associated with sales and telecommunications taxes. It has overseen NCSL's work on these issues ever since. www.ncsl.org/programs/fiscal/tctelcom.htm

◆ Streamlined Sales Tax Project (SSTP). NCSL's task force endorsed model legislation in January 2000 that directed state revenue departments to enter into multistate discussions to simplify sales taxes. Thirty-two states joined SSTP. The project's product—and a similar one developed by NCSL's task force—led to additional model legislation that created the implementing states group. www.geocities.com/streamlined2000/

◆ National Retail Federation. An association of major retailers, including Sears, Target, Target, JC Penney and Staples, that has supported development of the streamlined agreement. www.salestaxfairness.com/index.htm

◆ Council on State Taxation. Created in 1969 through the Council of State Chambers of Commerce, COST comprises more than 500 companies that do business across state lines. A COST staff member serves on the implementing state's group as a representative of the District of Columbia. www.statetax.org/index.html

◆ E-Fairness Coalition. This coalition includes other trade associations, such as the International Council of Shopping Centers and the National Realtors Association, and certain companies, including WalMart and Radio Shack. www.e-fairness.org

◆ Federation of Tax Administrators. An association of state revenue department officials. It has provided staff support to the Streamlined Sales Tax Project and the implementing states. www.taxadmin.org/

◆ Multistate Tax Commission. An organization of state tax officials that has provided staff resources to the Streamlined Sales Tax Project and the implementing states. www.mtc.gov/

VARIED SUPPORTERS

Mayors, county executives and other local officials support the agreement because, like the states, local governments have seen sales tax revenues eroded by remote sales. They believe declining revenues force them to reduce services or become more reliant on property taxes, the public's least favorite tax. Traditional retailers—family companies selling shoes on Main Street or office supply chain stores such as Staples—are among the agreement's strongest advocates, says the retail federation's Riehl. They see it leading to fairer competition between companies that collect the sales tax and those that, so far, have not. Shopping center owners want to make sure the retailers who rent space are healthy and are not put out of business by unfair competition from Internet sellers. Realtors have the same motivation. They want to make sure there are retailers to rent or buy shop space along Main Street, Broadway or Park Avenue. Telecommunications companies, including AT&T, Verizon and Bell South, are in favor of the agreement, primarily because it simplifies certain kinds of telecommunications taxes.

OPPOSITION FROM THE NET

Opponents in the private sector primarily are so-called "pure" Internet retailers—companies that sell only over the Internet and have a physical presence in only one state. (The Supreme Court rulings require sellers to collect sales taxes in states where they have "nexus.") Although Amazon.com, a large retailer that sells only over the Internet, has not opposed the agreement, many other pure Internet retailers do. They worry about losing a competitive advantage. Some, especially smaller companies, are concerned about the cost of software they would need to calculate sales taxes owed.

The antagonism of anti-tax groups, such as the National Taxpayers Union, is consistent with their philosophical opposition to taxes. They express concern about the burden placed on Internet sellers to collect the tax and the potential for loss of tax competition among states.

10 STATES MUST ADOPT

"No one expected the states to succeed in developing a streamlined system," says Rauschenberger. Like Monson, though, he notes that the hard work is just beginning. The agreement does not take effect until 10 states representing 20 percent of the population have adopted it. "A few states need to make only minor adjustments to comply," he says. "They should be fairly easy. It's some of the bigger states, with complex sales tax systems, that will struggle with this."

He's not sure how the current fiscal crises will affect consideration of the streamlined agreement. "Our budget problems could make many legislators and governors more supportive of these reforms. On the other hand, because the system is voluntary, no one is going to see a lot of immediate revenue from this. I also worry that the budget crises are so severe that legislatures will not really have time to focus on anything else this year."

What happens when the agreement begins to operate? Senator Monson outlines three scenarios. "One is that the interstate agreement proves to be successful as a voluntary system. Over time, more states would join and more companies would volunteer to participate. A second is that Congress would use the streamlined agreement as the basis for federal legislation that would authorize states to collect taxes on out-of-state sales. And some folks believe that the agreement, by reducing the burden on interstate commerce, could persuade the Supreme Court to overturn its rulings in *Bellas Hess* and *Quill*.

"Those options are all down the road a bit," she says. "Right now, the important thing is to make sure that this critical experiment in cooperative federalism continues and that legislatures and governors give it fair and thorough consideration over the coming months."

1-5

the Kansas Chamber of Commerce and Industry
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 • www.kansaschamber.org

HB 2111

February 11, 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 2111. 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 like you. 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.

HB 2111 would eliminate two important sales tax exemptions that are used in the manufacturing process — ingredient or component parts and integrated plant. I have attached a letter and an e-mail from a member that discuss how the repeal of this exemption would affect two of their plants, one in Winfield and one in Kansas City, Kansas.

Ingredient or Component Part (m)

To tax materials that are ingredient or component parts used in the production of goods would amount to double taxation. If a manufacturer pays sales tax on a part that is integral to the manufacturing process and then sells the finished good at retail where sales tax is charged, the state of Kansas will collect sales tax on all of the component parts and the finished product. This is the double taxation of goods.

House Taxation
Attachment 2
Date 2-11-03

Integrated Plant (kk)

The integrated plant theory allows exemption from sales and use taxes where equipment and machinery perform an essential or indispensable function in the manufacturing process regardless of whether a physical change is actually caused in raw material. Most states do not charge sales tax on manufacturing machinery and equipment. I have

꜀ ,ed a study done by the Committee on State Taxation, a privately funded research organization. Charging ꜀ ꜱ tax on manufacturing machinery and equipment will make Kansas not competitive with other states.

These manufacturing exemptions may not be looked at as exemptions for small businesses. This is simply not true. According the US Department of Commerce, 89% of manufacturers in the state of Kansas have less than 100 employees. This issue effects all businesses, regardless of their size.

KCCI opposes the repeal of the sales tax exemption in HB 2111. 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.

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.

SAINT-GOBAIN

CALMAR

February 7, 2003

Marlee Carpenter
Kansas Chamber of Commerce
835 SW Topeka Blvd.
Topeka, KS 66612-1671

Dear Marlee:

Thank you for keeping me updated on current discussions of legislation to repeal sales tax exemptions for machinery and raw materials used in the manufacturing process. As you know, the first time I heard that this may be a possibility I became extremely concerned about what it could mean to not only our business to manufacturing and jobs in the State of Kansas.

Saint-Gobain Calmar is a global manufacturer of plastic sprayers and pumps. Just as most manufacturing companies today, we are in the midst of a battle to survive against competition from all over the world. About three years ago we were fortunate enough to purchase an excellent manufacturing facility in Winfield, Kansas for the expansion of our production capacity. A number of reasons went into our decision to locate in Winfield, not the least of which was the business friendly environment. We have been very successful here and have expanded employment from the initial 35 people to our current 214+ full-time associates. Our budgeted payroll and benefits for Winfield for 2003 are $6,336,763.

Over the last several years we have invested millions of dollars and significant energy into improving both our products and our cost structure in order to remain competitive and survive in a world economy where consumers do not care where products come from, only that they work and that they are economical. By reducing costs we have been able to sell our product for less while still remaining profitable.

As we understand the proposals to eliminate sales tax exemptions on the purchase of equipment and materials used in the manufacturing process we fear they could be devastating not only to our company, but to all manufacturers in the State of Kansas. We believe that the overall effect of eliminating these exemptions would be a massive loss of Kansas jobs and the loss of not only of the increased revenues sought, but ultimately a net reduction in state revenues.

A 5.3% sales tax on raw material would increase our total operating costs by roughly 2.2%, and a 5.3% tax on equipment would increase total operating costs by roughly .5%. I am sure that this percentage is even greater for some other industries. It does not seem to us that making manufacturers in Kansas less competitive with other states and other countries is in the State's best interest. It can only lead to the eventual loss of business and jobs and thus the loss of income taxes paid by businesses, and sales and property taxes paid by the employees.

Please pass this concern to the appropriate parties for their consideration when shaping/voting on legislative issues.

Sincerely,

Kendall Henry
Plant Manager
Winfield, Kansas

Marlee Carpenter

From: Abraham, Glenn M. [Glenn.M.Abraham@saint-gobain.com]

Sent: Friday, February 07, 2003 3:13 PM

To: mcarpenter@kansaschamber.org

Cc: Henry, Kendall O.; Rusenko, Robert A.; Faust, Lee

Subject: CertainTeed Corporation - Kansas City

Dear Marlee,

My name is Glenn Abraham and I am the plant manager of the CertainTeed / Saint-Gobain fiberglass insulation plant in Kansas City. We are located in the Fairfax district. Our plant has been here for over 51 years and has an employment of around 450. Most of the employees at CertainTeed are Kansas state residents. Our annual payroll alone exceeds $30 million, so you can imagine how much of these dollars go back to the community and to the state of Kansas.

We are extremely worried about the proposed repeal of tax exemptions on equipment use in manufacturing and on raw materials. Our plant uses many raw materials in the glass making process, most of the materials are from the state of Kansas. An increase in taxes would be very damaging to this business as there are low margins and we produce what some consider to be a commodity type product which can be produced elsewhere. Cost of production is a critical component of staying in business in an extremely competitive business environment.

Additionally, Saint-Gobain is considering expansion of capacity at this plant which is a great thing for the plant, employees, and Kansas City. This may be re-evaluated if the cost of business continues to rise. Locations in other states become more lucrative when barriers to business are put up in our state.

Please do you best to convey our sentiments to the legislators and help keep our employees and plant running in Kansas City.

Best Regards,

Glenn Abraham
Plant Manager
Kansas City Plant
CertainTeed Corp.
913 238-4272

Sales Tax Treatment of Production Machinery, Agricultural Machinery, Materials, and Pollution Control Equipment (Part 1)

Production Machinery, Agricultural Machinery, and Pollution Control Equipment

Legend:
NA Not applicable
NR Not required

	Does State Either Exempt Production Machinery or Apply a Reduced Tax?	*If "Yes," How Should the Machinery Be Used in the Manufacturing Process?*	*Level of Use in Manufacturing Process Required for Exemption:*				*Is Pollution Control Equipment Exempt from Sales/Use Tax?*	*Is Agricultural Machinery Exempt from Tax?*
			More Than 50%	*More Than 90%*	*100%*	*Other Standard*		
Alabama	No, 1.5% rate	Directly and exclusively					Yes	No, 1.5% rate
Alaska	Alaska imposes no sales/use tax.							
Arizona	Yes	Directly	NR	NR	NR		No. 5% rate	Yes, if new
Arkansas	Yes	Directly				See GR-55.	Yes	Yes
California	Yes, with a 5% exemption from state tax	NA	X				No	No, 1.25% rate plus variable district rates
Colorado	Generally yes	Direct and predominant use in manufacturing	X				NR	Yes, mobile equipment
Connecticut	Yes	Directly				Predominant use	Yes	Yes
Delaware	Delaware imposes no sales or use tax.							
District of Columbia	No, 5.75% rate	NA	NA	NA	NA		No, 5.75% rate	No, 5.75% rate
Florida	See F.S. 212.08(5)(b)(c).	Directly and exclusively	X				See F.S. 212.08(5)(b)(c)	See F.S. 212.08(5)(b)(c)

91-2

Georgia	Yes	Directly			X	Yes	Yes
Hawaii	No, 4% rate	NA	NA	NA	NA	Yes, if to a certified facility otherwise 4%	No, 4% rate
Idaho	Yes	Directly and primarily	X			Yes	Yes
Illinois	Yes, see 86 Ill. Adm. Code § 130.330.	Directly	X			Yes, see 86 Ill. Adm. Code § 130.335.	Yes, see 86 Ill. Adm. Code § 130.305.
Indiana	Yes	Directly			X	Yes	Yes
Iowa	Yes	Directly and primarily used in processing	X			Yes	Yes
Kansas	Yes	Integral or essential part				Yes	Yes
Kentucky	Yes					Yes	Yes
Louisiana	No, 4% rate	NA	No production machinery exemption			Yes	Yes, certain criteria
Maine	Yes	Directly	X			Yes	Yes
	Note: Aircraft, certain trailers and special mobile equipment are taxed.						
Maryland	Yes	Directly and predominantly	X			Yes	Yes
Massachusetts	Yes	Directly and exclusively	NR	NR	NR	No, 5% rate	Yes
Michigan	Yes	Directly	NR	NR	NR	Yes	Yes
Minnesota	No, 6.5% rate and any applicable local tax. A refund is allowed for capital equipment.	Directly, no upfront exemption; exemption by refund	X, no upfront exemption; exemption by refund	NR	NR	No, 6.5% rate and any applicable local tax. Exempt for purchases by steel reprocessing firms.	Yes

Sales Tax Treatment of Production Machinery, Agricultural Machinery, Materials, and Pollution Control Equipment (Part 1) *(continued)*

Production Machinery, Agricultural Machinery, and Pollution Control Equipment

Legend:
NA Not applicable
NR Not required

	Does State Either Exempt Production Machinery or Apply a Reduced Tax?	*If "Yes," How Should the Machinery Be Used in the Manufacturing Process?*	*Level of Use in Manufacturing Process Required for Exemption:*				*Is Pollution Control Equipment Exempt from Sales/Use Tax?*	*Is Agricultural Machinery Exempt from Tax?*
			More Than 50%	*More Than 90%*	*100%*	*Other Standard*		
Mississippi	No, 1.5% or 7% rate	NA	NA	NA	NA		Yes, applies to some purchases after July 1, 2001	No, 1%, 3%, or 7% rate
Note. The tax rate is generally 7%; however, specific transactions, as defined in Miss. Code, have different rates.								
Missouri	Yes	Directly. Manufactured product must be intended to be sold for final use and consumption				Any level	Yes	Yes
Montana	Montana imposes no sales/use tax.							
Nebraska	No, 5%	NA	NA	NA	NA		No, 5%	Yes
Nevada	No, full tax rate	NA	NA	NA	NA	NA	No, full tax rate	No, full tax rate
New Hampshire	New Hampshire imposes no sales/use tax.							
New Jersey	Yes	Directly and primarily	X				No, 6%	Yes
New Mexico	No	NA	NA	NA	NA		No	No
New York	Yes	Directly and predominantly	X				Yes	Yes

North Carolina	No, reduced rate of 1% applies. Maximum tax of $80 per item.	Directly	See Sales and Use Tax Technical Bulletin 2-1 and 3-1			1%; maximum tax of $80 per item. Only applies to ingredients or component parts.	NR
North Dakota	Yes	Directly	X			No, 5% rate	No, 3% rate (new only)
Ohio	Yes	Primarily	X			Yes	Yes
Oklahoma	Yes	Must be used in the process of manufacturing at a manufacturing site	X			No, 4.5% state and any applicable local sales taxes	Yes
Oregon	Oregon imposes no sales/use tax.						
Pennsylvania	Yes	Directly and exclusively	X		Predominantly used in manufacturing	Yes	Yes
Rhode Island	Yes	Directly			"To the extent used," in an industrial plant in the actual manufacture conversion or processing of tangible personal property to be sold	Yes	Yes
South Carolina	Yes	Directly, substantial use				Yes	Yes
South Dakota	No, 4% plus municipal tax	NA	NA	NA	NA	No, 4% plus municipal tax	No, 4% plus municipal tax

Note. All exemptions must meet specific requirements of the statute, regulations, and case law.

Sales Tax Treatment of Production Machinery, Agricultural Machinery, Materials, and Pollution Control Equipment (Part 1) *(continued)*

Production Machinery, Agricultural Machinery, and Pollution Control Equipment

Legend:
NA Not applicable
NR Not required

	Does State Either Exempt Production Machinery or Apply a Reduced Tax?	*If "Yes," How Should the Machinery Be Used in the Manufacturing Process?*	*Level of Use in Manufacturing Process Required for Exemption:* More Than 50%	More Than 90%	100%	Other Standard	*Is Pollution Control Equipment Exempt from Sales/Use Tax?*	*Is Agricultural Machinery Exempt from Tax?*
Tennessee	Yes	Necessary and primarily for manufacturing	X				Yes	Yes
Texas	Yes	Directly and primarily				See Note 1.	Yes	Yes
	Effective 10/1/97, Tax Code § 151.318 limits the exemption for tangible personal property used in the manufacturing process to property used directly in the process and that makes or causes a chemical or physical change in the product being manufactured for sale or in an intermediate or preliminary product that becomes a part of the product manufactured for sale.							
	Note 1. Use tax is due on the fair market rental value of equipment for the period of time for which a divergent use is made of the equipment. Use tax is due on the purchase price of the equipment used in a nonexempt manner if no fair market rental value can be established. Divergent use of manufacturing equipment is treated differently because of the addition of Tax Code § 151.3181 effective October 1, 2002.							
Utah	Yes	See Note 1.				See Note 2.	Yes	Yes
	Note 1. Equipment does not have to touch the product that is being manufactured, must have 3-year life, use in nonmanufacturing must be de minimis.							
	Note 2. Exemption requires predominate use in the manufacturing process.							
Vermont	Yes	Directly and exclusively				X, 96%	No	Yes
Virginia	Yes	Directly				Preponderance of use test	Yes, if certified by VA Dept. of Environmental Quality	Yes
Washington	No	Directly, must have useful life of a year or longer	X				Yes	Yes

West Virginia	Yes	Directly and exclusively	X			Yes	Yes
Wisconsin	Yes	Directly and exclusively			Infrequent or sporadic use	Yes	Yes
Wyoming	No, full rate	NA	NA	NA	NA	No, full rate	No, 3% rate plus local option taxes

Testimony to House Taxation Committee

House Bill 2111

February 11, 2003

Bernie Koch

Wichita Area Chamber of Commerce

Mr. Chairman, members of the committee, I appreciate the opportunity to visit with you today about the sales tax exemptions repealed by House Bill 2111. I'm Bernie Koch with the Wichita Area Chamber of Commerce.

The economic development strategy of the State of Kansas has been to encourage industries that create wealth. House Bill 2111 runs contrary to that strategy. Manufacturing creates wealth by adding value. It takes raw materials (ingredients) and makes them into something. Those ingredients and component parts would be subject to sales tax under House Bill 2111.

Consumers, in the end, will be paying the sales tax on the raw materials to make a product, and then they will pay the sales tax on the sales tax. These higher costs mean our products are less competitive. Kansas manufactured products are competing with products made all over the world, often by competitors that enjoy government subsidies.

House Bill 2111 also eliminates the integrated plant sales tax exemptions enacted a few years ago by the Legislature. They were also designed to make Kansas manufacturers more competitive.

One of the reasons you are facing tough budget decisions this year is what has happened to manufacturing in Kansas. The Wichita area has over a third of the manufacturing payroll of the state. We have the fourth highest percentage of workforce engaged in manufacturing in the country. We have the highest concentration of aircraft and aircraft parts manufacturing in the nation. All of these businesses are hurting.

House Taxation
Attachment 3
Date 2-11-03

From September of 2001 to the most current data available, December of 2002, total Wichita metro area employment is down by 6,400 net jobs, or 2.2 percent. The manufacturing sector is down by 8,000 net jobs or 11 percent. Looking specifically at transportation equipment manufacturing (aircraft), employment is down by 8,300 net jobs or 18.3 percent. Aircraft industry job losses are particularly damaging to the local economy as they are some of the best-paying, averaging in excess of $50,000 per year, compared to an overall local average of about $33,000.

In September of 2001, the Wichita metro unemployment rate was 3.9 percent. The December 2002 unemployment rate was 5.5 percent.

Removing these exemptions will make it more difficult for those people to be hired back.

Many of our country's top economists agree that business capital spending must improve to bring the country out of our economic problems. House Bill 2111 adds a tax to business capital spending, tending to delay economic recovery, and prolonging your budget problems.

We don't have a recommendation on how best to deal with the state's budget problems. If it involves cuts, they should tend to be general and not hit one area in particular. If it involves a tax increase, it should be general and not one that targets a particular group of taxpayers.

It certainly should not be House Bill 2111. We strongly oppose it.

Thank you for your attention.

3-3

State of Kansas Business Establishments by Specified Type and Employment Size

	Total	1 to 4	5 to 9	10 to 19	20 to 49	50 to 99	100 to 249	250 to 499	500 to 999	1000+
Manufacturing (NAICS 31-32-33)	3,295	1,060	572	487	540	276	229	86	27	18
Percent of Manufacturing	*100.00%*	*32.17%*	*17.36%*	*14.78%*	*16.39%*	*8.38%*	*6.95%*	*2.61%*	*0.82%*	*0.55%*
Cumulative Percent	*100.00%*	*32.17%*	*49.53%*	*64.31%*	*80.70%*	*89.07%*	*96.02%*	*98.63%*	*99.45%*	*100.00%*
Specified Publishers (NAICS 5111)	313	123	67	46	42	16	11	4	3	1
Percent of NAICS 5111	*100.00%*	*39.30%*	*21.41%*	*14.70%*	*13.42%*	*5.11%*	*3.51%*	*1.28%*	*0.96%*	*0.32%*
Cumulative Percent	*100.00%*	*39.30%*	*60.70%*	*75.40%*	*88.82%*	*93.93%*	*97.44%*	*98.72%*	*99.68%*	*100.00%*
Combined Total	3,608	1,183	639	533	582	292	240	90	30	19
Percent of Combined Total	*100.00%*	*32.79%*	*17.71%*	*14.77%*	*16.13%*	*8.09%*	*6.65%*	*2.49%*	*0.83%*	*0.53%*
Cumulative Percent	*100.00%*	*32.79%*	*50.50%*	*65.27%*	*81.40%*	*89.50%*	*96.15%*	*98.64%*	*99.47%*	*100.00%*

Notes

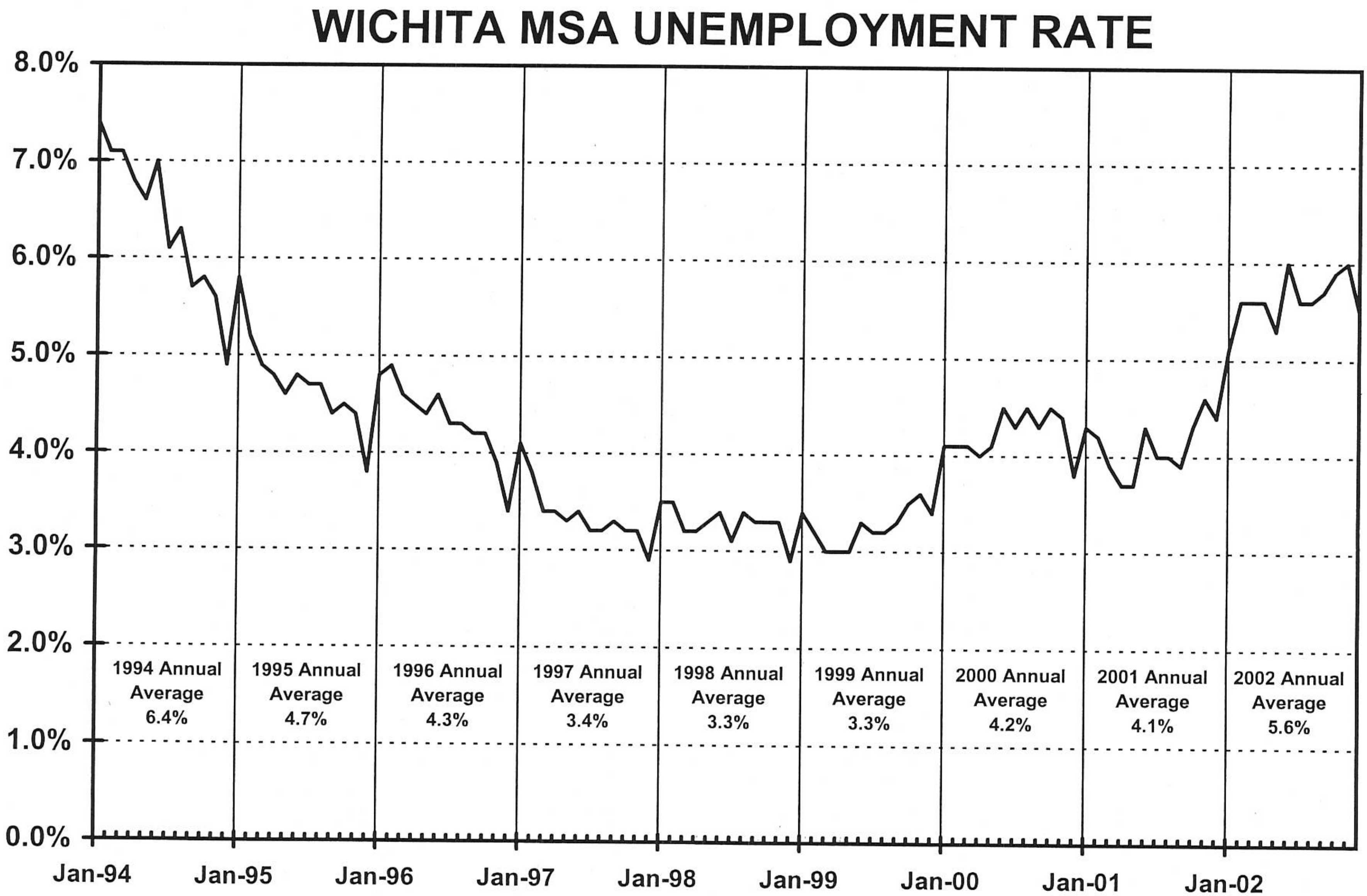
NAICS is the North American Industry Classification System.
NAICS 31-32-33 covers the entire NAICS Manufacturing Sector.
NAICS 5111 covers Newspaper, Periodical, Book and Database Publishers (subset of NAICS Information Sector.)

Source: County Business Patterns 1999 - Kansas; U.S. Dept. of Commerce, Bureau of the Census

WICHITA MSA	September 2001	December 2002	Numeric Change	Percent Change
NONFARM WAGE AND SALARY EMPLOYMENT (ESTABLISHMENT DATA)				
Total wage and salary	287,400	281,000	-6,400	-2.2%
Manufacturing, total	73,000	65,000	-8,000	-11.0%
Transportation equipment	45,400	37,100	-8,300	-18.3%
Contract construction and mining	16,000	15,400	-600	-3.8%
Transportation, communications and public utilit	11,700	11,600	-100	-0.9%
Wholesale and retail trade	61,500	63,200	1,700	2.8%
Wholesale trade	14,200	14,400	200	1.4%
Retail trade	47,300	48,800	1,500	3.2%
Finance, insurance and real estate	12,000	11,500	-500	-4.2%
Services	77,400	76,700	-700	-0.9%
Government	35,800	37,600	1,800	5.0%
CIVILIAN LABOR FORCE (RESIDENCE DATA)				
Unemployed	10,733	15,945	5,212	48.6%
Unemployment rate (percent)	3.9	5.5	1.6	

Source: KDHR

3-4



Source: Kansas Department of Human Resources (1/27/03)

3-5

Wichita Chamber of Commerce

Selected* Recent Company Downsizing/Closings

Jan 1998 – Present

COMPANY	ACTION	JOBS LOST	DATE
Great Plains Manufacturing	Downsizing	65	1999
Koch Industries	Downsizing	1000+/-	1999
The Boeing Company	Downsizing (included attrition)	4300+/-	1999
KS Air National Guard	Downsizing	143	1999
Charter Behavioral Health System	Closing	100	2000
SecureAmerica	Closing	100	2000
Tweco Products	Moving Jobs	100+	2000
BCI Construction, Inc.	Closing	100	2000
Sommerfield Hotel – Support Offices	Merger	100	2000
The Boeing Company	Downsizing (included attrition)	2000	2000
KOCH Industries	Downsizing	800	2000
Chance Industries	Downsizing	50	2000
Chance Industries	Downsizing	85	2001
Southwind	Closed	31	2001
Shopko	Closed	200	2001
Montgomery Wards	Closed	75	2001
Raytheon	Downsizing	450 (admin)	2001
Raytheon	Downsizing	470 (prod.)	2001
Learjet	Downsizing	350	2001
Boeing	Downsizing	2000	2001
Raytheon	Downsizing	750	2001
Farmland Foods	Downsizing	60	2001
Bombardier	Downsizing	600	2001
Best Western Call Center	Downsizing	210	2001
SWB	Downsizing	60	2001
Raytheon Travel Air	Consolidation	200	2001
InterVoice-Brite	Consolidation	49	2002
LSI Logic	Downsizing	42	2002
Raytheon	Downsizing	300	2002
Spiegel	Closing	670	2002
Boeing	Downsizing	3000	2002
IFR	Downsizing	30	2002
Bank of America – Call Center	Closing	575	2002
Farmland Foods	Downsizing	60	2002
Cessna	Downsizing	900	2002
Bombardier	Downsizing	150	2002
Bombardier	Downsizing	125	2002
Bombardier	Downsizing	50	2002
Raytheon	Downsizing	220	2002
Cessna	Downsizing	1,500	2003
Raytheon	Downsizing	550	2003
Wesley Med Center – Administrative	Downsizing	100	2003

11,615

*Company is listed only if number of employees affected has been publicly announced
Wichita Area Chamber of Commerce ------- 02/07/03
S:\EDevelop\ProspectInfo\GeneralInfo\Companies\ExpansionsDownsizingsCurrent.doc

February 11, 2003

Testimony on integrated plant Sales tax exemption
By Frank Meyer

BEFORE THE HOUSE TAXATION COMMITTEE

Good morning Chairman Edmonds and Committee Members, I am Frank Meyer Chairman - CEO of Custom Metal Fabricators in Herington Kansas and past President of The Kansas Chamber of Commerce and Industry

Today we are all looking for ways to enhance Kansas revinue, which will allow us to continue and in some cases restore vital services to the citizens of Kansas. I applaud your willingness to take on the daunting task of evaluating the Kansas tax structure to be sure the exemptions put in place over the years are serving their intended purpose.

In any evaluation I look at the advantages and disadvantages of the proposed course of action.

Advantages of repeal,

1. Would increase state revenue restoring state funding to education, local units of government, SRS, the highway plan and other vital State programs. Much of the funding for these vital programs has been eliminated or transferred from broad based statewide taxes to local property taxes, which are recognized as the worst tax you can impose.

Disadvantages of repeal,

1. Would put CMF and other Kansas companies that compete in the worldwide market at a distinct disadvantage by increasing our machinery and equipment costs by 5.3% over our competition in other states and around the world.

2. As a manufacturer of industrial machinery and equipment this tax would put our customers in Kansas who must pay 5.3% more than our customers out of state and around the world at a competitive disadvantage.

3. Would slow our plans to expand and provide more jobs in the Herington community. (The next machine we are looking to purchase will cost $500,000.00 tax would be $26,500.00)

4. When a company looking to locate a plant creating 100 jobs, which require a machinery and equipment investment $100.000 or more per job, finds it will cost $530,000 more to locate in Kansas than in another state where do you think they will go.

I think you can see the repeal of the unified plant law might have a short-term benefit to the state. Over the long haul it will hurt Kansas by slowing business growth and job creation, make Kansas business less competitive with other states and in the world market. It will also hurt or destroy our ability to attract new jobs and tax payers to Kansas and make it attractive for expanding business to leave Kansas.

Do you have any questions?

House Taxation
Attachment 4
Date 2-11-03

LEGISLATIVE NFIB TESTIMONY

The Voice of Small Business®

KANSAS

Statement by Hal Hudson, State Director
National Federation of Independent Business
Before the House Taxation Committee
On House Bill 2111
February 11, 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 2111.

Kansas has only three major sources of created wealth. They are 1) agricultural production, 2) manufacturing and 3) mining and mineral production – primarily oil and gas. The one exception is warehousing and distribution. Practically every other endeavor involves exchanging dollars among ourselves, without bringing in any new wealth.

Kansas doesn't have mountains or seashores to attract new businesses to our state. What we have is a geographic location in the center of our nation that is ideal for warehouse and distribution facilities, and good highway connections to move products to the east and west coasts.

We have been fortunate to have grown our own major distributor of footwear right here in Topeka. We also have distribution facilities operated for two major retailers in other cities, and another retailer's distribution center is under construction in Topeka.

I ask you to be very careful when looking at removing sales tax exemptions. Be sure we do not shoot ourselves in the foot by increasing the cost of doing business for these firms. Sales tax exemptions were granted to manufacturers, and to warehouse operators who bring in goods for re-distribution to other states, to encourage them to locate in Kansas, and to help make it profitable for them to stay in Kansas.

Removal of this exemption might be interpreted as Kansas saying, "We don't care if you stay or go. The property taxes on your buildings, machinery and equipment, the jobs you provide, the payroll and the payroll taxes your employees pay are no longer important to us."

At a time when our state economy is so sluggish, I don't think that's a message we want to send. I urge you to leave the sales tax exemptions in place for manufacturing, warehousing and distribution, and to reject HB 2111.

With over 6,000 members statewide and 600,000 throughout the U.S., the National Federation of Independent Business (NFIB) is the largest small-business advocacy group in Kansas and in the nation. A nonprofit, nonpartisan organization founded in 1943, NFIB represents the consensus views of its members before legislative bodies in all 50 states and in Washington D.C. More information is available online at www.nfib.com.

Hal Hudson, Kansas State Director
National Federation of Independent Business
E-mail: Hal.Hudson@nfib.org

House Taxation
Attachment 5
Date 2-11-03

Farm Bureau
Helping Feed the World

Kansas Farm Bureau

2627 KFB Plaza, Manhattan, Kansas 66503-8508 • 785.587.6000 • Fax 785.587.6914 • www.kfb.org
800 S.W. Jackson, Suite 817, Topeka, Kansas 66612 • 785.234.4535 • Fax 785.234.0278

PUBLIC POLICY STATEMENT

HOUSE COMMITTEE ON TAXATION

Re: HB 2111-- repealing the sales tax exemption on component parts.

February 11, 2003
Topeka, Kansas

Leslie J. Kaufman, State Director
KFB Governmental Relations

Mr. Chairman and members of the Committee, thank you for the opportunity to present comments in opposition to HB 2111 eliminating the sales tax exemption on component parts. I am Leslie Kaufman and I serve as the State Director of Governmental Relations for Kansas Farm Bureau (KFB). As I am sure you are aware, KFB is the state's largest general farm organization and represents agricultural producers through the 105 county Farm Bureau Associations across Kansas.

Farm Bureau members have a vested interest in the state's tax structure. As such, our delegates have enacted policy on a wide variety of tax issues:

- *Kansas has appropriately created justifiable sales tax exemptions for agriculture, business, industry and many not-for-profit groups;*
- *This has been done to assist economic development and provide for competitiveness with our neighboring states. Existing exemptions should remain in place;*
- *The ingredient or component part exemption should be maintained for the sound practice of economic development and for the assistance of manufacturing, business, industry and agriculture in this state;*
- *The sales tax should be applied at the retail level; and*
- ***Existing exemptions should remain in place.***

These are strong policy statements that demonstrate how firm our members are in preserving tax exemptions. As such, a removal of sales tax exemptions, as proposed in HB 2111, would not fall in line with our member-adopted policy.

House Taxation
Attachment 6
Date 2-11-03

The elimination of a tax exemption results in increased operational expenses. Unlike many other businesses and industries, agricultural producers are almost always price takers in the marketplace, not price setters. Generally, a producer does not have the ability increase the price for his or her commodity if expenses go up.

The loss of a tax exemption, even for a limited time, could have fiscal impacts, not only on specific entities but on the state, as well. Updating statutory references changes in regulations, revamping software, possibly hiring new staff to enforce new collections and potentially having to tax items that are logistical nightmares to track could provide additional burdens on an already strapped state budget. Depending on the exemption, it may or may not bring in the revenue needed to facilitate capturing it.

As we all know, statutory tax exemptions can be changed from year to year, but most have a long history of continuation. This reluctance by the legislature to ping-pong back and forth on an exemption has provided relative continuity in tax policy. Stability in the tax structure helps assists in long range business planning and a feeling of economic security. We believe it helps to de-politicize the public policy process, enabling the implementation of a broad tax policy for the state rather than a system of frequent political fights over who gets renewed and who doesn't. Pitting one segment of the economy, or even one part of an industry, against another can have a negative impact on the overall economic picture for the state?

We appreciate this opportunity to briefly convey our opposition to HB 2111 and respectfully ask the committee to continue current state taxation policy, and to reject the proposed repeals. Thank you.

Keith Miller
363 NE 80th Ave.
Great Bend, Kansas 67530
Phone: 620-564-3363
Email: KeithM@Ellinwood.com

TO: Chairman Edmonds and the House Committee on Taxation

DATE: February 11, 2003

RE: HB 2111 – removing sales tax exemptions, including the component part exemption.

I would like to thank Chairman Edmonds and the committee for allowing me to address you today. I am Keith Miller from Barton County and I am a third generation farmer. I am a member of the Barton County Farm Bureau and represent the 7th District on the Kansas Farm Bureau Board of Directors. Additionally, I am the President of our local school board, so I am very aware of the state and local budget situation. I appreciate why the state government feels the need to look at every avenue for more revenue.

Agriculture is just one of the sources for revenue that can be examined. But in doing so, you will find the past several years, especially the last two, have been very trying times for agriculture. We have had low prices for our commodities the last few years and then the intense drought that we are still suffering from has had a devastating effect on the agricultural economy. I can personally attest to this in my own operation. This has been the poorest year we have had since I started farming in the 70's. The state sales tax exemptions we currently have need to stay in place for agriculture.

The last several weeks I have had the opportunity to speak to a lot of farmers from across the state. The story is the same for them as it is for me -- most everyone involved in agriculture has no money. My personal income was down about 75% from two years ago. If the agricultural exemptions were repealed and the sales tax re-imposed on me personally, it would increase my costs in the neighborhood of $8,000 to $12,000. This year, that would have been over half my net income.

I have talked to several bankers in the area and they are really concerned because a large percentage of operations in my area currently have a negative cash flow. One of the local bankers in Barton County told me that he had 6 farmers, ones he would consider as some of his best operators, that were going to have to be auctioned-off if help wasn't received in the very near future. Even as bad as it is in Barton County, we aren't nearly as bad off as those further west. There are people in western Kansas that haven't had a crop in 3-4 years.

If the sales tax is going to be reinstated, it will be felt not only by farmers, but also by everybody on Main Street. Presently the farmers are just barely surviving. If you reduce their incomes further, there will be even that much less they have to spend at local businesses.

Kansas farmers are raising raw products. These products have to go through processing before hitting the end of the food chain. To me, it is not fair to impose state sales tax when we are not the end product. The state needs money, but we do not need multiple taxation on products. Surely, there are more beneficial ways of raising revenue, such as capturing sales tax on Internet sales.

Again, I appreciate the opportunity to appear today. This is an important issue for the farmers and rancher of Kansas. I would be happy to answer questions, should you have them. Thank you.

KANSAS
LIVESTOCK
ASSOCIATION

Since 1894

TESTIMONY

To: House Taxation Committee
Representative John Edmonds, Chairman

From: Todd Johnson, Governmental Affairs Staff

Subject: **HB 2111** – Sales Tax Exemptions
K.S.A. 2002 Supp. 79-3606, paragraph (m)

Mr. Chairman and committee members, I am Todd Johnson, Governmental Affairs staff for the Kansas Livestock Association. I appear before you today in opposition to HB 2111, which would repeal the sales tax exemption for paragraphs (m, kk and fff) of K.S.A. Supp. 79-3606. My comments are specific to paragraph (m), sales of tangible personal property, which become an ingredient or component part of personal property produced for sale at retail.

At the hearing before your committee last week I described the negative impacts of the imposition of a tax on products and services "consumed in the production" of beef. I explained how this tax was essentially a value-added tax, adding costs to all segments of the production chain. I bring the same concerns today because paragraph (m) of this bill, is similar, but more specific, than language found in paragraph (n), addressed in HB 2099 last week. The language in today's bill outlines in statute those items defined as ingredients or component parts, including, but not limited to, feed for animals, seeds and fertilizer.

When the Kansas Legislature imposed the first sales tax in 1937, it was clear the tax was meant to be a **retail** tax (collected at the final point of sale), and not to be applied to ingredients or component parts consumed in the production of another product. The law stated the items defined in paragraph (m) "shall be deemed a wholesale sale and shall be exempt from taxation under this act."

As of January 1, 2002, Kansas ranked third nationally in the number of cattle on ranches and in feedyards. The cattle feeding industry operates on narrow margins, is highly competitive and is mobile. Any increase in the cost of production, such as a tax on inputs, that would cause Kansas feedyards to lose a competitive advantage to other feeding states would certainly drive business and employment away from our state.

As we debate the merits of "repealing" sales tax exemptions, history will remind us that in essence, we would be <u>adding</u> a tax that never existed. I urge your committee to defeat this bill and retain the current tax structure that collects sales tax at the retail level.

Thank you.

House Taxation
Attachment 8
Date 2-11-03

6031 SW 37th Street ◆ Topeka, KS 66614-5129 ◆ (785) 273-5115 ◆ Fax (785) 273-3399 ◆ E-mail: kla@kla.org ◆ www.kla.org

KANSAS AGRIBUSINESS RETAILERS ASSOCIATION

KARA is "Committed to Professional Development and Business Viability for the Retail Crop Production Industry"

Statement of the

Kansas Agribusiness Retailers Association

Presented to the

House Taxation Committee

Rep. John Edmonds, Chairman

February 11, 2003

Presented by

Doyle Pearl, Chairman
KARA Legislative Committee

House Taxation
Attachment 9
Date 2-11-03

TESTIMONY TO THE HOUSE TAXATION COMMITTEE
2/11/2003
DOYLE PEARL

Chairman Edmonds and members of the House Taxation Committee, my name is Doyle Pearl, and I am appearing today on behalf of KARA, the Kansas Agribusiness Retailers Association. KARA's over 700 members are primarily retail agribusiness operations that provide fertilizer, crop protection chemicals, seed, fuel and propane products and services to Kansas farm producers.

I am General Manager and an owner of J.B. Pearl Sales & Service, Inc. in St. Marys, 25 miles west of Topeka. We also have a facility at Perry, 20 miles east of Topeka. Our family business is owned and operated by three generations, and was established in 1961. We provide products and services to farm producers such as fertilizer, crop protection chemicals, seed, crop consulting, soil testing, custom application, and precision farming equipment. We have a customer base of over 600 small to large farming operations, and we employee 22 people.

I appreciate the opportunity to address the committee this morning. I do appear in opposition to House Bill 2111, which would eliminate the sales tax exemption for ingredient and component parts found at K.S.A. 79-3606(m) as well as the sales tax exemption for machinery and equipment used by manufacturing and processing facilities found at K.S.A. 79-3606(kk). The elimination of these sections would have a tremendous impact on agribusiness retailers and in turn the customers we serve. I'd like to provide you some examples of the negative impact that would be realized if subsection (m) were repealed:

1) Added sales tax costs our customers would bear are estimated at over $100,000 if fertilizer, chemical and seed sales were taxed.
2) Our customers would likely go to Nebraska and Missouri, each less than 60 miles from either of our locations, to obtain crop inputs where they are tax exempt. We would lose these sales.
3) Retailers that blend fertilizer or condition seed would be faced with paying sales tax on machinery and equipment that is currently exempt, incurring higher operating costs.
4) The success of our business contributes to the property tax base, which means funding for our local government and schools. If our customers buy crop inputs out of the state of Kansas, it will affect our business structure and force us to reduce employees and equipment. We pay property tax, and the economic

disadvantage created by H.B. 2111 would hurt the property tax base in small communities all across Kansas.

5) The current drought and difficult economic times have affected our agri-business. Customers are slower in paying, and our over 90 day accounts receivables are higher than normal. Charging sales tax to the agriculture industry would have a devastating effect on an already depressed farm economy.

Thank you for the opportunity to appear today in opposition to House Bill 2111, and I would be glad to answer any questions.

Hill's

Hill's Pet Nutrition, Inc. and Subsidiaries
P.O. Box 148
Topeka, Kansas 66601-0148
785-354-8523

February 11, 2003

Mr. Chairman and members of the Committee, my name is Denise Washburn, I am Senior Corporate Tax Manager for Hill's Pet Nutrition. I have returned to your committee today to express my company's strong opposition to HB 2111 which repeals the sales tax exemption for ingredients and component parts for manufacturers and removes the sales tax exemption on the purchase of machinery and equipment used directly in the manufacturing, processing , storing, warehousing and distribution of property for resale.

Hill's Pet Nutrition, the world leader in specialty pet food, has a manufacturing facility located here in Topeka, KS. The enactment of House Bill 2111 would revoke the current sales and use tax exemption available to our Topeka plant on purchases of machinery and equipment used in the production of our products. In 2002, our Topeka plant had over $9.1 Million dollars in investment which under the proposed change would now be taxed and would have increased our investment cost an additional $660,000 in Kansas.

This type of increase in investment costs cannot be passed to the end consumer and therefore must be absorbed by the company. Our manufacturing facilities in California, Kentucky and Indiana will have a clear advantage over our Topeka plant when competing for additional investments without the burden of this additional cost. Therefore, when comparing the cost of making additional investments and upgrades at our Topeka plant versus our other manufacturing facilities in the US, the adoption of House Bill 2111 will become a major deterrent to additional investments being made at our Topeka Plant.

The pet food industry has become stronger and more sophisticated during the past ten years. Competition continues to increase as manufacturers and retailers struggle for consumer patronage. Innovative and competitive new products are a must in order to both retain and increase our customer base. In addition, our competitors in the specialty segment are also improving productivity and lowering costs. In the face of this increasing competition, Hill's continuously is forced to challenge operating costs and efficiency levels.

If a factory is to be competitive and thrive, it must continually have new technology, upgraded equipment and investment which reduce costs and drive efficient and quality operations. Facilities, which are not upgraded, become uncompetitive and force companies to decide whether those factories should continue in operation or not.

Therefore, the fact is that House Bill 2111 will have a long term devastating effect on any potential expansions and investments into the manufacturing facility in Topeka as investments made here would inherently have to compete with lower investment costs at other locations due to the higher sales and use tax burden for expansions or upgrades.

Thank you for your consideration.

House Taxation
Attachment 10
Date 2-11-03

.W. Jackson Street, #1408
Topeka, Kansas 66612-2214
(785) 235-1188 • Fax (785) 235-2544

karma@ink.org
www.kapa-krmca.org

KRMCA **KAPA**

Kansas Ready Mixed Concrete Association

Kansas Aggregate Producers' Association

TESTIMONY

BEFORE: House Taxation Committee

FROM: Edward R. Moses, Managing Director

DATE: February 11, 2003

RE: HB 2111 –

Good morning, Mr. Chairman and members of the committee. My name is Woody Moses, Managing Director of the Kansas Aggregate Producers' Association, and the Kansas Ready Mixed Concrete Association. Thank you for the opportunity to submit written testimony in opposition to HB 2111. The Kansas Aggregate Producers' Association (KAPA) and The Kansas Ready Mixed Concrete Association (KRMCA) is a statewide trade association comprised of over 250 members and one of the few industries to be represented in every county of this state.

Sales tax exemptions should be viewed as the development of tax policy as opposed to being a device for the raising of revenue. Often times the incorrect tax policy may lead to unintended consequences. For example there are 600-650 ready mixed trucks based in the Kansas City metro area. Prior to the implementation of mixer-unit exemption in 2000 over 400 trucks were based on the Missouri side. Now, over 400 are based in Kansas with the preponderance located in southern Johnson County. These 400 trucks pay an average of $2,800 per unit in property tax each and every year, which is subject to the statewide mill levy. Our members in the Kansas area advise the reason for this is the current sales tax exemption on the sale of new and used mixed units. Additionally, in order to service these units, there has been economic growth in the building of new and expansions of existing ready mix concrete plants on the Kansas side.

This legislature by granting the "mixer unit" sales tax exemption under the "integrated plant" theory created a win-win scenario. By foregoing the one-time collection of sales tax, the state and local units are receiving ongoing property tax revenue, and our producers are more competitive.

If the state wishes to gain more revenue it would be our suggestion you extend the exemption to include the truck chassis instead of repealing it.

We thank you for the opportunity to present this testimony today. I will be happy to answer any questions you may have at this time.

House Taxation
Attachment 11
Date 2-11-03

TESTIMONY SUBMITTED TO THE
HOUSE TAXATION COMMITTEE
By
Steve Miller, Senior Manager, External Affairs
SUNFLOWER ELECTRIC POWER CORPORATION

February 11, 2003

Thank you, Mr. Chairman and members of this Committee for providing Sunflower time to speak today on House Bill 2111, a proposal to eliminate the sales tax exemptions related to manufacturing and warehouse and distribution facilities. We are here today to speak in opposition to this proposal.

As many of you know, we were organized in 1957 to provide reliable wholesale power to the six rural electric cooperatives in western Kansas that own Sunflower. Since that time we have built or acquired generators that have a capacity to produce up to 595 MW of electrical power. In addition to our generating capacity, we own and operate a 1,200-mile system of high voltage transmission lines throughout our service area.

One of the exemptions that would be removed if HB 2111 becomes law is section (kk). This exemption pertains to the installation cost, repair, and maintenance of manufacturing equipment used in our generating and transmission facilities. The loss of this exemption would add another $500,000 to our power bills.

We have been on a long campaign to reduce our power costs in the last few years. With the completion of our corporate restructuring last November, we are convinced that we can maintain our price levels for the foreseeable future. This, we believe, is an important goal because the vast majority of our consumers in western Kansas already are suffering from the effects of the drought conditions across the State.

We are getting ever closer to turning the first spade of dirt on a new 600 MW coal-fired plant that would be integrated with our existing facilities near Holcomb, Kansas. The total cost of that project is estimated to range between $600 and $800 million. My calculation is that the repeal of the exemption in Section (kk) would add $18,000,000 to the proposed cost of that project if 50% of the project is manufacturing material and 50% labor. I'm confident that additional cost would eliminate the bright prospects we have for building that new plant, which is projected to bring with it a $2.5 billion economic impact.

You may be aware that we announced last week the construction of a new wind farm near Marienthal, Kansas. That project is expected to amount to nearly $100 million when fully subscribed. Sunflower has agreed to purchase the first 30 MW of production from this new facility and it is projected that it will be in service by January 1, 2004. We have a fixed price contract to purchase this power, but if the developer cannot raise the capital needed for construction as a result of changes in our sales tax law, this project may also be in trouble.

House Taxation
Attachment 12
Date 2-11-03

We were unable to provide testimony on HB 2099 last week, but we have significant concerns about the elimination of the exemption in Section 79-3606(n). This would impose tax on our coal and natural gas supplies and we estimate that cost to our consumers would be $1.7 million annually. So, added together, these exemptions contained in HB 2111 and HB 2099, if lost, would cost our rural customers by $2.2 million annually. This is in addition to the costs our consumers will suffer if the two new generation projects are not completed.

I regret that I come with such negative news this morning, but I think it's important to know that Sunflower, like many other companies across the State, has worked long and hard to develop the two projects I just described. The economics of each project was based on our existing tax laws. In both cases, we're bringing large capital investments from outside Kansas and creating good jobs for those who want to live and work in the rural parts of our State. I urge you to defeat this bill and House Bill 2099, so that we can continue to do our part to help our Kansas economy flourish.

With that, I would be happy to answer any questions the Committee may have regarding my testimony.

CJS Industries, Inc.
PRECISION METAL FABRICATION
Quality Parts ~ On Time

3801 NW 14 TREET
TOPEKA, KANSAS 66618
(785) 233-4430
FAX (785) 233-4494

Testimony before the House Committee on Taxation
February 11, 2003

By Jeff Berke CPA
General Manager
CJS Industries, Inc.

Chairperson Doel and members of the committee,
I'm a principal in a small manufacturing concern here in Topeka.
I am here in opposition to House Bill No. 2111.

Manufacturing businesses will make the most significant investment in plant and equipment in a community. Decisions to locate or expand a manufacturing plant are long term in nature, and bring the kind of high paying jobs sought after by a community. Production equipment is becoming more and more computer reliant, making it increasingly expensive to both acquire and maintain. The additional sales tax on this equipment would be a significant component in the cost to locate this equipment in Kansas.

In my opinion, the state should be looking for ways to **decrease** the cost to businesses for investing in capital improvements in Kansas. The benefits of the sales tax exemption, by encouraging the investment, far outweigh the short term benefits of adding sales tax to equipment. The revenues lost by decisions to delay or even prevent the purchase of new equipment would be considerable.

CJS Industries, Inc. has received property tax abatements in the past. A savings of approximately $33,000 helped us finance an investment of over one million dollars in additional equipment the following year. That investment in equipment created six to seven new jobs. These jobs have a wage and benefit package for each individual in the range of $30,000 to $40,000 per year. The increase in revenues for the state due to this investment has been substantial.

The addition of sales tax on equipment would offset the benefits of property tax abatements currently offered by the state to encourage investment in the state. The sales tax in Topeka on a $450,000 piece of equipment would be in **excess** of $32,000. Most banks require a down payment of from 10 to 20%. The financial requirement to purchase new equipment would be increased by the sales tax to over $75,000. This would, especially in the economy we are operating in now, delay or even prevent any additional investment in equipment. The resulting loss to the state in the accompanying property and individual income tax revenues would be significant.

CJS Industries, Inc. competes with other contract manufacturers all over the country. We're currently competing with companies in Indiana, Kentucky, Missouri and Oklahoma for projects. It would give us a significant competitive advantage if the legislatures in those states find a way to increase the cost of capital to their businesses, while ours remained the same.

Anything that the legislature does to increase the cost of capital reduces our ability to compete in the global market we work in today. Please don't handicap our ability to compete.

We ask that you oppose House Bill No. 2111. Thank you for your time and atter

House Taxation
Attachment 13
Date 2-11-03

Mr. Chairman and members of the committee, my name is Tony Kunis. I am the General Manager of Reser's fine foods here in Topeka: we have been in Topeka for 12 years. Our company has 12 different operations in 6 different states across the country. We have 650 employees at the four operations here in Topeka. In our manufacturing process we have a significant investment in machinery and equipment. We have invested in the Topeka operations multiple times in the past 12 years to upgrade that equipment and bring new product lines to Topeka.
We are currently involved in a multi stage addition and upgrades to equipment lines in two of our larger facilities including a 32,000 Sq. ft. addition and the building of a new truck shop. Total costs could run well over 7 million dollars alone for the initial phase. In addition we will be adding additional jobs to the Distribution and production plants.

If legislation such as house bill 2111 should be come law it would put our Topeka plant at a disadvantage for future investment, Our plans on spending literally millions of dollars in plant and equipment upgrades now and in the future could costs us hundreds of thousands of dollars in increased spending if this Bill passes. Our plants spend upwards of 2 million dollars in parts and associated maintenance costs annually. The additional burden this bill proposes could really impact our current costs and the way we do business in our Topeka operations in the future.
With multiple plants across the country the additional costs associated with this bill may put us as I stated previously at a disadvantage. As a company when we decide to add new process lines or renovate existing lines we take a hard look at distribution costs, transportation costs and certainly production costs. All of the costs associated with these areas would be impacted if this bill were to pass. The bottom line is costs would go up. If we cannot produce a product that is competitive with the other plants in the company there would be little incentive to grow this plant and we may lose opportunities here in the Topeka market to other states that understand the need for business investment and are supportive of that.
As a company we came to Kansas 12 years ago and have grown from one operation of 50 personnel to 650 personnel today. Kansas and the Topeka area have provided a great business climate and we want to continue to grow the business here. A Bill such as HB 2111 would be a hindrance to our ability to remain competitive in the market place.

I would strongly suggest that legislation like HB 2111 is not good for Kansas in the long run. Increased tax costs puts Kansas companies at a disadvantage with other states. We are a privately held company and certainly look hard at costs when making investment decisions and those decisions affect the number of jobs that a company creates. I would hope that you would not vote for the removal of business tax exemptions such as this one.

Thank you for your time….

Tony Kunis
General Manager
Reser's Fine Foods

House Taxation
Attachment 14
Date 2-11-03

Kansas Grain Sorghum Producers Association

Kansas Corn Growers Association

Rep. John Edmonds, Chair
House Taxation Committee
State Capitol, Room 171-W
Topeka, Kansas 66612

February 11, 2003

Re: Written testimony in opposition to HB 2111 repealing the sales tax exemption for ingredients and component parts

Dear Chairman Edmonds:

The Kansas Corn Growers Association and the Kansas Grain Sorghum Producers Association appreciate the opportunity to submit this written testimony in opposition to the passage of HB 2111. The proposed legislation would repeal the Kansas sales tax exemption available for sales of personal property that becomes an ingredient or component part in the production of other personal property.

Kansas corn and grain sorghum producers purchase a variety of products, including seed and fertilizer, that fall within the definition of "Ingredient or component part" in K.S.A. 79-3602 (l) and thereby qualify for the sales tax exemption provided in KSA 79-3606 (m) that is proposed for repeal by HB 2111.

Further, the same definitional section includes feed for animals (the predominant use for corn and grain sorghum) thereby causing sales of these ingredients to also qualify for the current sales tax exemption. Repeal of this exemption would dramatically affect agricultural producers both upstream and downstream with purchases of inputs and sales of their products.

Unfortunately, in the last several years most Kansas agricultural producers have experienced very challenging financial and growing season conditions. Almost exclusively, farmers are price takers for purchasing their inputs and selling their products. Drought during 2002, that also occurred in some portions of the state in 2000 and 2001, and generally low commodity prices where production has been successful, have all seriously weakened agricultural balance sheets and financial strength.

In 2002 alone, Kansas State University's Farm Management Association estimated that the drought cost corn producers $314 million in farm gate values of production with Kansas' total crop loss pegged at $1.1 billion. Less than one-third of this financial loss will be offset by federal crop insurance. Net farm income for 2002 is forecast to average about $10,147 per farm. Congress is currently considering disaster aid for 2002 for Kansas producers, but even its passage remains uncertain.

Most Kansas corn and grain sorghum producers simply do not have positive operating margins at this time. The state's long-term strategy of sales tax exemptions for agricultural inputs that are ingredients or component parts has been critical to what agriculture has been able to contribute to the Kansas economy through the years. Removing this exemption in today's negative financial conditions will further harm Kansas producers' ability to compete with other producers across the country and around the world.

We strongly request your opposition to passage of this legislation.

Sincerely,

Greg Krissek

Greg Krissek
Director of Operations

P.O. BOX 446, GARNETT, KS 66032-0446 • PHONE (785) 448-6922 • FAX: (785) 448-6932
www.ksgrains.com • jwhite@ksgrains.com

House Taxation
Attachment 15
Date 2-11-03

KANSAS GRAIN AND FEED ASSOCIATION

STATEMENT OF THE

KANSAS GRAIN & FEED ASSOCIATION

BEFORE THE

HOUSE TAXATION COMMITTEE

REP. JOHN EDMONDS, CHAIR

REGARDING

HOUSE BILL 2111

FEBRUARY 11, 2003

FOR MORE INFORMATION CONTACT

DOUG WAREHAM, SENIOR VICE PRESIDENT
(785) 234-0461 OR DOUG@KANSASAG.ORG

House Taxation
Attachment 16
Date 2-11-03

The following statement is presented on behalf of the Kansas Grain and Feed Association (KGFA). The KGFA is a voluntary state association with a membership encompassing the entire spectrum of the grain receiving, storage, processing and shipping industry in the state of Kansas. KGFA's membership includes over 1,100 Kansas business locations and represents 98% of the commercially licensed grain storage in the state.

KGFA stands in opposition to House Bill 2111, which would eliminate the sales tax exemption for ingredient and component parts found at K.S.A. 79-3606(m) as well as the sales tax exemption for machinery and equipment used by manufacturing and processing facilities found at K.S.A. 79-3606(kk). Our specific policy regarding taxes is highlighted below:

- KGFA opposes the establishment of any new taxes, which would be a disincentive for economic development in the state by discouraging new businesses from expanding. KGFA also opposes eliminating sales tax exemptions and expanding taxes on services. Further, the Association opposes the imposition of sales tax on inputs or raw agricultural products and opposes a tax on inventories.

House Bill 2111 would increase the tax burden on grain elevators, flour mills, feed mills and various other segments of the agribusiness industry in Kansas. The definition for ingredient and component parts includes items such as feed, seed and fertilizer, all of which are commodities or products that are stored, handled, process and sold by grain elevator firms in this state.

House Bill 2111 would place an increased financial burden on agribusiness across Kansas and will cause those costs to be passed on to agricultural producers that are already reeling from the ongoing drought that has plagued Kansas for the past two years. This bill would also place Kansas grain elevators at a significant economic disadvantage with surrounding states that do not impose a sales tax on grain sales, feed sales and the sale of crop production inputs such as fertilizer.

For additional information contact Doug Wareham, Senior Vice President at (785) 234-0461 or doug@kansasag.org.

GREATER TOPEKA CHAMBER

GO TOPEKA

120 SE 6th Avenue, Suite 110
Topeka, Kansas 66603-3515

P.785.234.2644 F.785.234 8656
www.topekachamber.org
topekainfo@topekachamber.org

Written Testimony on HB 2111
House Taxation Committee
February 11, 2003
By Christy Caldwell, Vice President
Greater Topeka Chamber of Commerce

Mr. Chairman and members of the committee, my name is Christy Caldwell, Vice President Government Relations for the Greater Topeka Chamber of Commerce. I am providing written testimony to oppose HB 2111, which repeals the sales tax exemption for manufacturing, distributing, and warehousing, specifically property that becomes ingredient or component parts, and the sale of machinery and equipment used directly in the manufacturing, processing, storing, warehousing, or distributing of property for resale.

This sales tax exemption is extremely important to manufacturing interests in our community and the state. Removal of this sales tax exemption, either entirely or for a specified period of time, would put our local manufacturers at a competitive disadvantage in the national and global economy. All the states surrounding Kansas currently provide a sales tax exemption for ingredient or component parts and machinery and equipment used in production, warehousing and distribution. If this tax were to now be applied in Kansas we would not be able to compete for new capital investment in our state and may well lose some that we already have. I have asked representatives from three local manufacturing firms to appear today to explain the impact of this bill on their companies: CJS Industries, Reser's Fine Foods, and Hills Pet Nutrition, Inc. Their individual testimonies will illustrate the reasons why removal of sales tax exemptions on businesses is not the answer to increasing state revenues.

The Topeka Chamber continues to believe there is no good reason that we would want to create a disincentive to retain and grow Kansas businesses. Isn't growth in the economy what we need right now? When Kansas businesses succeed, the state succeeds. Let's not reverse the strides we have already made in Kansas to create and retain business growth. Let's remind ourselves of the goal in the '80's and continue down the path of prosperity. Mr. Chairman and Committee, we ask that you keep your eye on the goal – more Kansas business investment, more Kansas jobs, and more Kansas income. This goal will bring our state the revenues it needs to fund the state operations we all desire. We ask that you not approve HB 2111 or any other legislation that eliminates, or reduces, business sales tax exemptions.

House Taxation
Attachment 17
Date 2-11-03

Lenexa Chamber of Commerce

The Historic Lackman-Thompson Estate
11180 Lackman Road
Lenexa, KS 66219-1236
913.888.1414
Fax 913.888.3770

TO: Representative John Edmonds, Chairman
Members, House Taxation Committee

FROM: Ashley Sherard, Vice-President
Lenexa Chamber of Commerce

DATE: February 11, 2003

RE: **HB 2111—Repeal of Sales Tax Exemption for Manufacturing, Distribution and Warehousing**

The Lenexa Chamber of Commerce would like to express its strong opposition to House Bill (HB) 2111, which repeals the existing sales tax exemptions for materials and equipment associated with manufacturing, distribution and warehousing. Specifically, the bill removes sales tax exemptions for purchases of property that become ingredient or component parts of manufactured goods and for the sale of machinery and equipment (including replacement parts and installation, repair, and maintenance services) used directly in the manufacturing, processing, storing, warehousing or distributing of property for resale.

The incubation, recruitment, and retention of business establishments in "basic" industries--those that export goods and services and import money--have historically been central goals of the state's economic development programs. Indeed, the exemptions being considered in HB 2111 were originally created to promote the development of basic industries.

As a result, manufacturing and wholesale trade have become critical components of the Kansas economy. The latest U.S. Census of Manufacturing revealed that **manufacturing is a $46 billion industry in the Kansas economy**, with the four counties making up the Kansas side of the Kansas City metropolitan area accounting for $11.4 billion (24.7%) of the state's total manufacturing sales.

Further, the latest U.S. Census of Wholesale Trade revealed that **wholesale trade is a $42 billion industry in Kansas**, with Johnson County alone accounting for $21.1 billion in sales – 50% of the state's total. Together with Wyandotte County, these two Kansas City metropolitan area counties account for fully 60% of the state's total wholesale trade.

House Taxation
Attachment 18
Date 2-11-03

In addition, manufacturing and wholesale businesses contribute to the Kansas economy through capital investment, payroll, and other taxes. In 2000, manufacturers provided **more than 190,000 jobs with a payroll of $7 billion** and wholesalers provided **almost 64,000 jobs with a payroll of $2.3 billion.**

Removing the sales tax exemptions as proposed in HB 2111 would not be good long-term economic policy for the state. **By increasing business costs, the competitive position of Kansas' manufacturing firms operating in external markets would be significantly worsened against competitors located in the many states granting the exemptions. This would make it very difficult both to recruit manufacturing firms or to retain them in Kansas, resulting in lost sales, capital investment, jobs and taxes.**

While these negative impacts would be felt by businesses throughout the economy, the potential consequences are particularly onerous in the state's forty border counties (please see the attached information compiled by the County Economic Research Institute.) This concern is especially true in the Kansas City metropolitan area, where labor and capital flow freely across the state line and competing business opportunities abound on the Missouri side of the border.

The resulting loss of output and employment in the manufacturing and wholesale trade sectors would cause not only direct economic losses to the state, but would also ripple throughout the Kansas economy, generating negative impacts in other sectors. For example, according to the "direct effect job multipliers" calculated for Kansas by the U.S. Bureau of Economic Analysis:

- For every 100 jobs lost in the Kansas motor vehicle and equipment manufacturing sector, another 272 jobs would be lost in the balance of the state's economy.
- For every 100 jobs lost in the Kansas wholesale trade industry, another 112 jobs would be lost in the balance of the state's economy.
- For every $100,000 of earnings lost by Kansas households working in the motor vehicle and equipment manufacturing sector, another $163,000 would be lost by households working in other sectors.
- For every $100,000 of earnings lost by Kansas households working in the wholesale trade industry, another $73,470 would be lost by households working in other sectors.

In short, we believe the short-term revenue gains Kansas might realize from repealing these exemptions would be far outweighed by long-term losses in sales, capital investment, payroll, taxes, and other economic factors. Therefore, because it would not be good long-term economic policy for the state, the Lenexa Chamber of Commerce strongly urges the committee not to recommend HB 2111 for passage. Thank you for your time and attention to this issue.

County Economic Research Institute

11111 West 95th Street, Suite 210 * Overland Park, Kansas 66214

The businesses located in the state's border tier counties, especially those located in the Kansas City Metropolitan Area, are most vulnerable to the negative impacts of HB 2111. The following illustrates the relative importance of these counties to the state's economy.

Population

- According to the U.S. Census Bureau, the state's 40 border counties had a **combined population of 1,087,137 in 2000 – 40.4% of the total Kansas population**. Johnson County made up 16.9% of the state's population.
- The border counties accounted for **48.2% of the state's total net population growth** of 210,401 between 1990 and 2000. With an increase of 96,653, Johnson County accounted for 45.9% of the state's growth.

Business Establishments

- In 2000, **31,198 (41.6%) of the state's 74,939 private sector business establishments with employees** were located in the state's 40 border counties. Johnson County was home to 15,894 establishments in 2000—21.2% of the state's total.
- Border counties accounted for **52.5% of the state's net growth in establishments** of 9,081 between 1990 and 2000. A net total of 4,293 new firms were created in the Johnson County economy during the decade – 47.3% of the state's total growth.

Jobs

- In 2000, **483,270 (42.8%) of the state's 1,128,732 private sector jobs** were located in border counties. A total of 282,652 jobs (25%) were located in Johnson County.
- The 40 border counties accounted for **50.6% of the net increase in employment** in the Kansas economy between 1990 and 2000. During the decade, there were 104,835 net new jobs created in Johnson County, 44.6% of the state's total job growth of 234,902.

Payroll

- In 2000, private sector firms in the state's 40 border counties provided a **total payroll of $15,189,576,000, accounting for 47.5% of the Kansas economy's total**. In Johnson County, employers provided a payroll of approximately $9.9 billion, the largest in the state's border counties and 30.9% of the state's total.
- The state's border counties accounted for **53.7% of the state's total increase in private sector payroll** between 1990 and 2000. Johnson County's private sector payroll grew by over $5.9 billion between 1990 and 2000, accounting for 40.7% of the state's total growth.

Manufacturing Firms

- In 2000, **1,387 (43%) of the state's total of 3,229 manufacturing firms** were located in Kansas' 40 border counties.
- **Over one quarter (846) of the state's manufacturing firms were located in the counties on the Kansas side of the Kansas City Metropolitan Area.** Johnson County alone was home to 530 manufacturing firms—16.4% of the state's total.

Manufacturing Jobs

- **Manufacturers provided 191,609 jobs in 2000. One-third of these jobs (64,185) were located in the state's border counties.**
- Over 35,000 of the state's manufacturing jobs were in firms located in the four counties (Johnson, Leavenworth, Miami, and Wyandotte) on the Kansas side of the Kansas City Metropolitan Area.

Manufacturing Payroll

- **In 2000, the state's manufacturers provided a payroll of $7.0 billion. Firms located in the state's border counties accounted for approximately $2.2 billion (30.7%) of the Kansas total.**
- The 846 manufacturing firms located on the Kansas side of the Kansas City Metropolitan Area provided a combined payroll of over $1.4 billion.

Wholesale Trade Establishments

- During 2000, Kansas was home to **4,879 wholesale trade establishments and nearly half of these (2,433) were located in the state's border counties.**
- **Over one-third (1,784) of the wholesale firms in the state are located on the Kansas side of the Kansas City Metropolitan Area.** Johnson County is home to 30% of the state's wholesale establishments.

Wholesale Trade Jobs

- **The wholesale industry provided 63,953 jobs in Kansas in 2000. Over half of these (32,504) were located in border counties.**
- Wholesale firms on the Kansas side of the Kansas City Metropolitan Area provided jobs for 25,860 workers in 2000 – 44% of the state's total.

Wholesale Trade Payroll

- Kansas wholesale firms had a **total payroll of $2.3 billion in 2000 and those in the 40 border counties provided over 61% of that total.**
- The wholesale firms located on the Kansas side of the Kansas City Metropolitan Area provided a combined payroll of over $1.2 billion. Johnson County's firms provided 42% of the state's total payroll in this industry.

KANSAS BORDER COUNTIES
POPULATION

No.	County	1990 Population	Percent State	2000 Population	Percent State	Growth	Percent State Growth
1	Atchison	16,904	0.7%	16,755	0.6%	-149	-0.1%
2	Barber	5,866	0.2%	5,293	0.2%	-573	-0.3%
3	Bourbon	14,948	0.6%	15,400	0.6%	452	0.2%
4	Brown	11,132	0.4%	10,707	0.4%	-425	-0.2%
5	Chautauqua	4,384	0.2%	4,349	0.2%	-35	0.0%
6	Cherokee	21,316	0.9%	22,558	0.8%	1,242	0.6%
7	Cheyenne	3,226	0.1%	3,150	0.1%	-76	0.0%
8	Clark	2,420	0.1%	2,382	0.1%	-38	0.0%
9	Comanche	2,297	0.1%	1,948	0.1%	-349	-0.2%
10	Cowley	36,933	1.5%	36,248	1.3%	-685	-0.3%
11	Crawford	35,578	1.4%	38,202	1.4%	2,624	1.2%
12	Decatur	4,011	0.2%	3,461	0.1%	-550	-0.3%
13	Doniphan	8,123	0.3%	8,252	0.3%	129	0.1%
14	Greeley	1,763	0.1%	1,539	0.1%	-224	-0.1%
15	Hamilton	2,389	0.1%	2,657	0.1%	268	0.1%
16	Harper	7,105	0.3%	6,504	0.2%	-601	-0.3%
17	Jewell	4,233	0.2%	3,764	0.1%	-469	-0.2%
18	Labette	23,618	1.0%	22,766	0.8%	-852	-0.4%
19	Leavenworth	64,610	2.6%	68,913	2.6%	4,303	2.0%
20	Linn	8,258	0.3%	9,605	0.4%	1,347	0.6%
21	Marshall	11,670	0.5%	10,936	0.4%	-734	-0.3%
22	Meade	4,235	0.2%	4,636	0.2%	401	0.2%
23	Miami	23,577	1.0%	28,500	1.1%	4,923	2.3%
24	Montgomery	38,758	1.6%	36,161	1.3%	-2,597	-1.2%
25	Morton	3,482	0.1%	3,481	0.1%	-1	0.0%
26	Nemaha	10,447	0.4%	10,702	0.4%	255	0.1%
27	Norton	5,923	0.2%	5,944	0.2%	21	0.0%
28	Phillips	6,554	0.3%	5,983	0.2%	-571	-0.3%
29	Rawlins	3,383	0.1%	2,959	0.1%	-424	-0.2%
30	Republic	6,466	0.3%	5,801	0.2%	-665	-0.3%
31	Seward	18,725	0.8%	22,568	0.8%	3,843	1.8%
32	Sherman	6,929	0.3%	6,736	0.3%	-193	-0.1%
33	Smith	5,045	0.2%	4,517	0.2%	-528	-0.3%
34	Stanton	2,334	0.1%	2,407	0.1%	73	0.0%
35	Stevens	5,060	0.2%	5,476	0.2%	416	0.2%
36	Sumner	25,845	1.0%	25,967	1.0%	122	0.1%
37	Wallace	1,813	0.1%	1,734	0.1%	-79	0.0%
38	Washington	7,042	0.3%	6,465	0.2%	-577	-0.3%
39	Wyandotte	161,973	6.5%	157,749	5.9%	-4,224	-2.0%
40	**Johnson**	**357,309**	**14.4%**	**453,962**	**16.9%**	**96,653**	**45.9%**
	Total Border Counties	985,684	39.7%	1,087,137	40.4%	101,453	48.2%
	Balance of State	1,495,665	60.3%	1,604,613	59.6%	108,948	51.8%
	Kansas	2,481,349	100.0%	2,691,750	100.0%	210,401	100.0%

18-5

KANSAS BORDER COUNTIES
BUSINESS ESTABLISHMENTS

No.	County	1990 Establishments	Percent State	2000 Establishments	Percent State	Growth	Percent State Growth
1	Atchison	361	0.5%	400	0.5%	39	0.4%
2	Barber	192	0.3%	213	0.3%	21	0.2%
3	Bourbon	634	1.0%	437	0.6%	-197	-2.2%
4	Brown	278	0.4%	269	0.4%	-9	-0.1%
5	Chautauqua	81	0.1%	90	0.1%	9	0.1%
6	Cherokee	346	0.5%	401	0.5%	55	0.6%
7	Cheyenne	114	0.2%	114	0.2%	0	0.0%
8	Clark	95	0.1%	76	0.1%	-19	-0.2%
9	Comanche	84	0.1%	70	0.1%	-14	-0.2%
10	Cowley	808	1.2%	836	1.1%	28	0.3%
11	Crawford	870	1.3%	1,017	1.4%	147	1.6%
12	Decatur	137	0.2%	127	0.2%	-10	-0.1%
13	Doniphan	143	0.2%	181	0.2%	38	0.4%
14	Greeley	67	0.1%	60	0.1%	-7	-0.1%
15	Hamilton	79	0.1%	84	0.1%	5	0.1%
16	Harper	222	0.3%	229	0.3%	7	0.1%
17	Jewell	113	0.2%	109	0.1%	-4	0.0%
18	Labette	537	0.8%	525	0.7%	-12	-0.1%
19	Leavenworth	921	1.4%	1,123	1.5%	202	2.2%
20	Linn	189	0.3%	193	0.3%	4	0.0%
21	Marshall	356	0.5%	388	0.5%	32	0.4%
22	Meade	135	0.2%	149	0.2%	14	0.2%
23	Miami	476	0.7%	618	0.8%	142	1.6%
24	Montgomery	1,029	1.6%	1,023	1.4%	-6	-0.1%
25	Morton	94	0.1%	121	0.2%	27	0.3%
26	Nemaha	353	0.5%	390	0.5%	37	0.4%
27	Norton	188	0.3%	217	0.3%	29	0.3%
28	Phillips	220	0.3%	237	0.3%	17	0.2%
29	Rawlins	98	0.1%	99	0.1%	1	0.0%
30	Republic	197	0.3%	213	0.3%	16	0.2%
31	Seward	654	1.0%	678	0.9%	24	0.3%
32	Sherman	260	0.4%	283	0.4%	23	0.3%
33	Smith	172	0.3%	165	0.2%	-7	-0.1%
34	Stanton	52	0.1%	73	0.1%	21	0.2%
35	Stevens	144	0.2%	170	0.2%	26	0.3%
36	Sumner	551	0.8%	545	0.7%	-6	-0.1%
37	Wallace	52	0.1%	61	0.1%	9	0.1%
38	Washington	232	0.4%	239	0.3%	7	0.1%
39	Wyandotte	3,292	5.0%	3,081	4.1%	-211	-2.3%
40	**Johnson**	**11,601**	**17.6%**	**15,894**	**21.2%**	**4,293**	**47.3%**
	Total Border Counties	26,427	40.1%	31,198	41.6%	4,771	52.5%
	Balance of State	39,431	59.9%	43,741	58.4%	4,310	47.5%
	Kansas	65,858	100.0%	74,939	100.0%	9,081	100.0%

KANSAS BORDER COUNTIES
TOTAL JOBS

No.	County	1990 Jobs	Percent State	2000 Jobs	Percent State	Growth	Percent State Growth
1	Atchison	4,724	0.5%	5,972	0.5%	1,248	0.5%
2	Barber	1,437	0.2%	1,389	0.1%	-48	0.0%
3	Bourbon	5,276	0.6%	6,723	0.6%	1,447	0.6%
4	Brown	2,908	0.3%	3,250	0.3%	342	0.1%
5	Chautauqua	690	0.1%	593	0.1%	-97	0.0%
6	Cherokee	4,333	0.5%	5,206	0.5%	873	0.4%
7	Cheyenne	586	0.1%	555	0.0%	-31	0.0%
8	Clark	340	0.0%	448	0.0%	108	0.0%
9	Comanche	423	0.0%	423	0.0%	0	0.0%
10	Cowley	10,908	1.2%	10,813	1.0%	-95	0.0%
11	Crawford	10,819	1.2%	14,598	1.3%	3,779	1.6%
12	Decatur	896	0.1%	796	0.1%	-100	0.0%
13	Doniphan	1,620	0.2%	2,047	0.2%	427	0.2%
14	Greeley	349	0.0%	353	0.0%	4	0.0%
15	Hamilton	346	0.0%	906	0.1%	560	0.2%
16	Harper	1,414	0.2%	1,438	0.1%	24	0.0%
17	Jewell	435	0.0%	543	0.0%	108	0.0%
18	Labette	8,023	0.9%	8,183	0.7%	160	0.1%
19	Leavenworth	11,837	1.3%	15,044	1.3%	3,207	1.4%
20	Linn	1,339	0.1%	1,381	0.1%	42	0.0%
21	Marshall	2,919	0.3%	3,412	0.3%	493	0.2%
22	Meade	550	0.1%	892	0.1%	342	0.1%
23	Miami	4,863	0.5%	6,868	0.6%	2,005	0.9%
24	Montgomery	13,300	1.5%	14,866	1.3%	1,566	0.7%
25	Morton	540	0.1%	877	0.1%	337	0.1%
26	Nemaha	3,270	0.4%	3,916	0.3%	646	0.3%
27	Norton	1,541	0.2%	1,851	0.2%	310	0.1%
28	Phillips	1,563	0.2%	1,723	0.2%	160	0.1%
29	Rawlins	484	0.1%	560	0.0%	76	0.0%
30	Republic	1,720	0.2%	1,891	0.2%	171	0.1%
31	Seward	7,658	0.9%	9,834	0.9%	2,176	0.9%
32	Sherman	1,728	0.2%	2,121	0.2%	393	0.2%
33	Smith	1,077	0.1%	1,092	0.1%	15	0.0%
34	Stanton	273	0.0%	421	0.0%	148	0.1%
35	Stevens	815	0.1%	1,226	0.1%	411	0.2%
36	Sumner	4,215	0.5%	4,861	0.4%	646	0.3%
37	Wallace	232	0.0%	348	0.0%	116	0.0%
38	Washington	1,303	0.1%	1,610	0.1%	307	0.1%
39	Wyandotte	69,787	7.8%	61,588	5.5%	-8,199	-3.5%
40	**Johnson**	**177,817**	**19.9%**	**282,652**	**25.0%**	**104,835**	**44.6%**
	Total Border Counties	364,358	40.8%	483,270	42.8%	118,912	50.6%
	Balance of State	529,472	59.2%	645,462	57.2%	115,990	49.4%
	Kansas	893,830	100.0%	1,128,732	100.0%	234,902	100.0%

KANSAS BORDER COUNTIES
ANNUAL PAYROLL

No.	County	1990 Payroll	Percent State	2000 Payroll	Percent State	Growth	Percent State Growth
1	Atchison	$85,376,000	0.5%	$140,515,000	0.4%	$55,139,000	0.4%
2	Barber	$21,790,000	0.1%	$28,654,000	0.1%	$6,864,000	0.0%
3	Bourbon	$71,674,000	0.4%	$158,990,000	0.5%	$87,316,000	0.6%
4	Brown	$41,586,000	0.2%	$68,653,000	0.2%	$27,067,000	0.2%
5	Chautauqua	$9,356,000	0.1%	$9,268,000	0.0%	-$88,000	0.0%
6	Cherokee	$72,986,000	0.4%	$123,194,000	0.4%	$50,208,000	0.3%
7	Cheyenne	$7,417,000	0.0%	$9,925,000	0.0%	$2,508,000	0.0%
8	Clark	$6,351,000	0.0%	$9,556,000	0.0%	$3,205,000	0.0%
9	Comanche	$4,150,000	0.0%	$6,833,000	0.0%	$2,683,000	0.0%
10	Cowley	$182,171,000	1.0%	$274,885,000	0.9%	$92,714,000	0.6%
11	Crawford	$173,876,000	1.0%	$316,291,000	1.0%	$142,415,000	1.0%
12	Decatur	$11,184,000	0.1%	$12,326,000	0.0%	$1,142,000	0.0%
13	Doniphan	$29,714,000	0.2%	$53,375,000	0.2%	$23,661,000	0.2%
14	Greeley	$3,982,000	0.0%	$6,716,000	0.0%	$2,734,000	0.0%
15	Hamilton	$4,439,000	0.0%	$16,518,000	0.1%	$12,079,000	0.1%
16	Harper	$21,618,000	0.1%	$27,396,000	0.1%	$5,778,000	0.0%
17	Jewell	$5,216,000	0.0%	$7,548,000	0.0%	$2,332,000	0.0%
18	Labette	$132,875,000	0.8%	$176,716,000	0.6%	$43,841,000	0.3%
19	Leavenworth	$194,424,000	1.1%	$379,234,000	1.2%	$184,810,000	1.3%
20	Linn	$27,715,000	0.2%	$37,772,000	0.1%	$10,057,000	0.1%
21	Marshall	$43,661,000	0.2%	$71,105,000	0.2%	$27,444,000	0.2%
22	Meade	$8,005,000	0.0%	$18,216,000	0.1%	$10,211,000	0.1%
23	Miami	$73,382,000	0.4%	$146,286,000	0.5%	$72,904,000	0.5%
24	Montgomery	$219,014,000	1.3%	$343,586,000	1.1%	$124,572,000	0.9%
25	Morton	$8,472,000	0.0%	$21,761,000	0.1%	$13,289,000	0.1%
26	Nemaha	$46,381,000	0.3%	$87,342,000	0.3%	$40,961,000	0.3%
27	Norton	$22,532,000	0.1%	$37,371,000	0.1%	$14,839,000	0.1%
28	Phillips	$27,198,000	0.2%	$35,117,000	0.1%	$7,919,000	0.1%
29	Rawlins	$6,244,000	0.0%	$10,578,000	0.0%	$4,334,000	0.0%
30	Republic	$23,486,000	0.1%	$34,986,000	0.1%	$11,500,000	0.1%
31	Seward	$137,271,000	0.8%	$255,022,000	0.8%	$117,751,000	0.8%
32	Sherman	$22,163,000	0.1%	$39,815,000	0.1%	$17,652,000	0.1%
33	Smith	$11,503,000	0.1%	$17,641,000	0.1%	$6,138,000	0.0%
34	Stanton	$5,257,000	0.0%	$9,293,000	0.0%	$4,036,000	0.0%
35	Stevens	$15,237,000	0.1%	$27,501,000	0.1%	$12,264,000	0.1%
36	Sumner	$63,446,000	0.4%	$102,358,000	0.3%	$38,912,000	0.3%
37	Wallace	$2,809,000	0.0%	$5,834,000	0.0%	$3,025,000	0.0%
38	Washington	$14,550,000	0.1%	$22,598,000	0.1%	$8,048,000	0.1%
39	Wyandotte	$1,570,596,000	9.0%	$2,155,170,000	6.7%	$584,574,000	4.0%
40	**Johnson**	$3,976,492,000	**22.7%**	$9,883,631,000	**30.9%**	$5,907,139,000	**40.7%**
	Total Border Counties	$7,405,599,000	42.3%	$15,189,576,000	47.5%	$7,783,977,000	53.7%
	Balance of State	$10,081,716,000	57.7%	$16,801,186,000	52.5%	$6,719,470,000	46.3%
	Kansas	$17,487,315,000	100.0%	$31,990,762,000	100.0%	$14,503,447,000	100.0%

KANSAS BORDER COUNTIES
MANUFACTURING ESTABLISHMENTS

No.	County	1998 Establishments	Percent State	2000 Establishments	Percent State	Growth	Percent State Growth
1	Atchison	26	0.8%	24	0.7%	-2	1.6%
2	Barber	6	0.2%	5	0.2%	-1	0.8%
3	Bourbon	29	0.9%	28	0.9%	-1	0.8%
4	Brown	16	0.5%	12	0.4%	-4	3.1%
5	Chautauqua	3	0.1%	2	0.1%	-1	0.8%
6	Cherokee	45	1.3%	42	1.3%	-3	2.4%
7	Cheyenne	2	0.1%	3	0.1%	1	-0.8%
8	Clark	2	0.1%	2	0.1%	0	0.0%
9	Comanche	7	0.2%	8	0.2%	1	-0.8%
10	Cowley	53	1.6%	57	1.8%	4	-3.1%
11	Crawford	73	2.2%	76	2.4%	3	-2.4%
12	Decatur	3	0.1%	3	0.1%	0	0.0%
13	Doniphan	10	0.3%	9	0.3%	-1	0.8%
14	Greeley	1	0.0%	0	0.0%	-1	0.8%
15	Hamilton	0	0.0%	0	0.0%	0	0.0%
16	Harper	18	0.5%	15	0.5%	-3	2.4%
17	Jewell	2	0.1%	2	0.1%	0	0.0%
18	Labette	39	1.2%	39	1.2%	0	0.0%
19	Leavenworth	37	1.1%	37	1.1%	0	0.0%
20	Linn	10	0.3%	10	0.3%	0	0.0%
21	Marshall	23	0.7%	22	0.7%	-1	0.8%
22	Meade	6	0.2%	5	0.2%	-1	0.8%
23	Miami	31	0.9%	33	1.0%	2	-1.6%
24	Montgomery	56	1.7%	52	1.6%	-4	3.1%
25	Morton	2	0.1%	2	0.1%	0	0.0%
26	Nemaha	22	0.7%	22	0.7%	0	0.0%
27	Norton	5	0.1%	5	0.2%	0	0.0%
28	Phillips	8	0.2%	9	0.3%	1	-0.8%
29	Rawlins	5	0.1%	6	0.2%	1	-0.8%
30	Republic	6	0.2%	7	0.2%	1	-0.8%
31	Seward	12	0.4%	12	0.4%	0	0.0%
32	Sherman	4	0.1%	5	0.2%	1	-0.8%
33	Smith	5	0.1%	4	0.1%	-1	0.8%
34	Stanton	3	0.1%	3	0.1%	0	0.0%
35	Stevens	1	0.0%	0	0.0%	-1	0.8%
36	Sumner	47	1.4%	44	1.4%	-3	2.4%
37	Wallace	0	0.0%	1	0.0%	1	-0.8%
38	Washington	6	0.2%	5	0.2%	-1	0.8%
39	Wyandotte	256	7.6%	246	7.6%	-10	7.9%
40	**Johnson**	**546**	**16.3%**	**530**	**16.4%**	**-16**	**12.6%**
	Total Border Counties	1,426	42.5%	1,387	43.0%	-39	30.7%
	Balance of State	1,930	57.5%	1,842	57.0%	-88	69.3%
	Kansas	3,356	100.0%	3,229	100.0%	-127	100.0%

18-9

KANSAS BORDER COUNTIES
MANUFACTURING JOBS

No.	County	1998 Jobs	Percent State	2000 Jobs	Percent State	Growth	Percent State Growth
1	Atchison	1,700	0.9%	1,786	0.9%	86	-1.8%
2	Barber	175	0.1%	175	0.1%	0	0.0%
3	Bourbon	1,343	0.7%	1,373	0.7%	30	-0.6%
4	Brown	660	0.3%	298	0.2%	-362	7.4%
5	Chautauqua	60	0.0%	10	0.0%	-50	1.0%
6	Cherokee	2,334	1.2%	2,073	1.1%	-261	5.3%
7	Cheyenne	10	0.0%	10	0.0%	0	0.0%
8	Clark	60	0.0%	60	0.0%	0	0.0%
9	Comanche	62	0.0%	70	0.0%	8	-0.2%
10	Cowley	3,244	1.7%	2,642	1.4%	-602	12.3%
11	Crawford	3,457	1.8%	3,500	1.8%	43	-0.9%
12	Decatur	10	0.0%	8	0.0%	-2	0.0%
13	Doniphan	750	0.4%	1,002	0.5%	252	-5.1%
14	Greeley	10	0.0%	0	0.0%	-10	0.2%
15	Hamilton	0	0.0%	0	0.0%	0	0.0%
16	Harper	313	0.2%	216	0.1%	-97	2.0%
17	Jewell	10	0.0%	10	0.0%	0	0.0%
18	Labette	2,432	1.2%	2,369	1.2%	-63	1.3%
19	Leavenworth	766	0.4%	711	0.4%	-55	1.1%
20	Linn	143	0.1%	137	0.1%	-6	0.1%
21	Marshall	894	0.5%	850	0.4%	-44	0.9%
22	Meade	60	0.0%	16	0.0%	-44	0.9%
23	Miami	642	0.3%	698	0.4%	56	-1.1%
24	Montgomery	5,547	2.8%	4,978	2.6%	-569	11.6%
25	Morton	60	0.0%	60	0.0%	0	0.0%
26	Nemaha	1,096	0.6%	953	0.5%	-143	2.9%
27	Norton	128	0.1%	182	0.1%	54	-1.1%
28	Phillips	375	0.2%	375	0.2%	0	0.0%
29	Rawlins	34	0.0%	32	0.0%	-2	0.0%
30	Republic	461	0.2%	488	0.3%	27	-0.5%
31	Seward	3,750	1.9%	3,750	2.0%	0	0.0%
32	Sherman	60	0.0%	60	0.0%	0	0.0%
33	Smith	171	0.1%	202	0.1%	31	-0.6%
34	Stanton	10	0.0%	10	0.0%	0	0.0%
35	Stevens	10	0.0%	0	0.0%	-10	0.2%
36	Sumner	1,258	0.6%	1,050	0.5%	-208	4.2%
37	Wallace	0	0.0%	10	0.0%	10	-0.2%
38	Washington	68	0.0%	82	0.0%	14	-0.3%
39	Wyandotte	14,574	7.4%	13,557	7.1%	-1,017	20.7%
40	**Johnson**	**21,658**	**11.0%**	**20,382**	**10.6%**	**-1,276**	**26.0%**
	Total Border Counties	68,395	34.8%	64,185	33.5%	-4,210	85.7%
	Balance of State	128,124	65.2%	127,424	66.5%	-700	14.3%
	Kansas	196,519	100.0%	191,609	100.0%	-4,910	100.0%

18-10

KANSAS BORDER COUNTIES
MANUFACTURING PAYROLL

No.	County	1998 Payroll	Percent State	2000 Payroll	Percent State	Growth	Percent State Growth
1	Atchison	$56,095,000	0.8%	$59,855,000	0.9%	$3,760,000	1.1%
2	Barber*	$0	0.0%	$0	0.0%	$0	0.0%
3	Bourbon	$32,200,000	0.5%	$32,191,000	0.5%	-$9,000	0.0%
4	Brown	$13,848,000	0.2%	$10,711,000	0.2%	-$3,137,000	-0.9%
5	Chautauqua*	$0	0.0%	$0	0.0%	$0	0.0%
6	Cherokee	$61,702,000	0.9%	$61,669,000	0.9%	-$33,000	0.0%
7	Cheyenne*	$0	0.0%	$0	0.0%	$0	0.0%
8	Clark*	$0	0.0%	$0	0.0%	$0	0.0%
9	Comanche	$1,026,000	0.0%	$1,143,000	0.0%	$117,000	0.0%
10	Cowley	$106,027,000	1.6%	$129,205,000	1.8%	$23,178,000	6.6%
11	Crawford	$82,745,000	1.2%	$91,842,000	1.3%	$9,097,000	2.6%
12	Decatur*	$0	0.0%	$0	0.0%	$0	0.0%
13	Doniphan*	$0	0.0%	$0	0.0%	$0	0.0%
14	Greeley*	$0	0.0%	$0	0.0%	$0	0.0%
15	Hamilton*	$0	0.0%	$0	0.0%	$0	0.0%
16	Harper	$7,342,000	0.1%	$5,461,000	0.1%	-$1,881,000	-0.5%
17	Jewell*	$0	0.0%	$0	0.0%	$0	0.0%
18	Labette	$66,969,000	1.0%	$67,232,000	1.0%	$263,000	0.1%
19	Leavenworth	$18,765,000	0.3%	$19,233,000	0.3%	$468,000	0.1%
20	Linn	$2,547,000	0.0%	$2,700,000	0.0%	$153,000	0.0%
21	Marshall	$23,318,000	0.3%	$23,290,000	0.3%	-$28,000	0.0%
22	Meade*	$0	0.0%	$0	0.0%	$0	0.0%
23	Miami	$18,897,000	0.3%	$17,642,000	0.3%	-$1,255,000	-0.4%
24	Montgomery	$158,758,000	2.4%	$156,565,000	2.2%	-$2,193,000	-0.6%
25	Morton*	$0	0.0%	$0	0.0%	$0	0.0%
26	Nemaha	$29,794,000	0.4%	$30,036,000	0.4%	$242,000	0.1%
27	Norton	$4,180,000	0.1%	$5,396,000	0.1%	$1,216,000	0.3%
28	Phillips*	$0	0.0%	$0	0.0%	$0	0.0%
29	Rawlins	$587,000	0.0%	$634,000	0.0%	$47,000	0.0%
30	Republic	$8,988,000	0.1%	$11,118,000	0.2%	$2,130,000	0.6%
31	Seward*	$0	0.0%	$0	0.0%	$0	0.0%
32	Sherman*	$0	0.0%	$0	0.0%	$0	0.0%
33	Smith	$3,203,000	0.0%	$3,986,000	0.1%	$783,000	0.2%
34	Stanton*	$0	0.0%	$0	0.0%	$0	0.0%
35	Stevens*	$0	0.0%	$0	0.0%	$0	0.0%
36	Sumner	$40,517,000	0.6%	$35,571,000	0.5%	-$4,946,000	-1.4%
37	Wallace*	$0	0.0%	$0	0.0%	$0	0.0%
38	Washington	$1,270,000	0.0%	$1,096,000	0.0%	-$174,000	0.0%
39	Wyandotte	$599,456,000	9.0%	$627,380,000	8.9%	$27,924,000	8.0%
40	**Johnson**	$765,971,000	**11.5%**	$758,915,000	**10.8%**	-$7,056,000	**-2.0%**
	Total Border Counties	$2,104,205,000	31.6%	$2,152,871,000	30.7%	$48,666,000	13.9%
	Balance of State	$4,562,121,000	68.4%	$4,862,543,000	69.3%	$300,422,000	86.1%
	Kansas	$6,666,326,000	100.0%	$7,015,414,000	100.0%	$349,088,000	100.0%

* Denotes counties with witheld payroll data, 1998

KANSAS BORDER COUNTIES
WHOLESALE ESTABLISHMENTS

No.	County	1998 Establishments	Percent State	2000 Establishments	Percent State	Growth	Percent State Growth
1	Atchison	17	0.3%	18	0.4%	1	-0.7%
2	Barber	7	0.1%	7	0.1%	0	0.0%
3	Bourbon	22	0.4%	24	0.5%	2	-1.4%
4	Brown	26	0.5%	23	0.5%	-3	2.1%
5	Chautauqua	8	0.2%	7	0.1%	-1	0.7%
6	Cherokee	17	0.3%	20	0.4%	3	-2.1%
7	Cheyenne	2	0.0%	11	0.2%	9	-6.3%
8	Clark	5	0.1%	4	0.1%	-1	0.7%
9	Comanche	5	0.1%	3	0.1%	-2	1.4%
10	Cowley	39	0.8%	41	0.8%	2	-1.4%
11	Crawford	52	1.0%	47	1.0%	-5	3.5%
12	Decatur	15	0.3%	17	0.3%	2	-1.4%
13	Doniphan	7	0.1%	12	0.2%	5	-3.5%
14	Greeley	3	0.1%	3	0.1%	0	0.0%
15	Hamilton	11	0.2%	11	0.2%	0	0.0%
16	Harper	16	0.3%	16	0.3%	0	0.0%
17	Jewell	7	0.1%	7	0.1%	0	0.0%
18	Labette	29	0.6%	25	0.5%	-4	2.8%
19	Leavenworth	23	0.5%	19	0.4%	-4	2.8%
20	Linn	7	0.1%	8	0.2%	1	-0.7%
21	Marshall	22	0.4%	18	0.4%	-4	2.8%
22	Meade	9	0.2%	7	0.1%	-2	1.4%
23	Miami	23	0.5%	25	0.5%	2	-1.4%
24	Montgomery	53	1.1%	50	1.0%	-3	2.1%
25	Morton	13	0.3%	9	0.2%	-4	2.8%
26	Nemaha	22	0.4%	21	0.4%	-1	0.7%
27	Norton	13	0.3%	12	0.2%	-1	0.7%
28	Phillips	16	0.3%	13	0.3%	-3	2.1%
29	Rawlins	10	0.2%	10	0.2%	0	0.0%
30	Republic	25	0.5%	26	0.5%	1	-0.7%
31	Seward	53	1.1%	52	1.1%	-1	0.7%
32	Sherman	21	0.4%	20	0.4%	-1	0.7%
33	Smith	15	0.3%	16	0.3%	1	-0.7%
34	Stanton	15	0.3%	15	0.3%	0	0.0%
35	Stevens	18	0.4%	19	0.4%	1	-0.7%
36	Sumner	30	0.6%	31	0.6%	1	-0.7%
37	Wallace	6	0.1%	7	0.1%	1	-0.7%
38	Washington	20	0.4%	19	0.4%	-1	0.7%
39	Wyandotte	301	6.0%	292	6.0%	-9	6.3%
40	**Johnson**	**1,470**	**29.3%**	**1,448**	**29.7%**	**-22**	**15.4%**
	Total Border Counties	2,473	49.3%	2,433	49.9%	-40	28.0%
	Balance of State	2,546	50.7%	2,443	50.1%	-103	72.0%
	Kansas	5,019	100.0%	4,876	100.0%	-143	100.0%

KANSAS BORDER COUNTIES
WHOLESALE JOBS

No.	County	1998 Jobs	Percent State	2000 Jobs	Percent State	Growth	Percent State Growth
1	Atchison	372	0.6%	334	0.5%	-38	-2.0%
2	Barber	57	0.1%	61	0.1%	4	0.2%
3	Bourbon	603	1.0%	511	0.8%	-92	-4.9%
4	Brown	163	0.3%	170	0.3%	7	0.4%
5	Chautauqua	41	0.1%	39	0.1%	-2	-0.1%
6	Cherokee	161	0.3%	147	0.2%	-14	-0.7%
7	Cheyenne	117	0.2%	134	0.2%	17	0.9%
8	Clark	36	0.1%	35	0.1%	-1	-0.1%
9	Comanche	60	0.1%	60	0.1%	0	0.0%
10	Cowley	563	0.9%	367	0.6%	-196	-10.3%
11	Crawford	777	1.3%	600	0.9%	-177	-9.3%
12	Decatur	159	0.3%	120	0.2%	-39	-2.1%
13	Doniphan	160	0.3%	333	0.5%	173	9.1%
14	Greeley	60	0.1%	60	0.1%	0	0.0%
15	Hamilton	425	0.7%	149	0.2%	-276	-14.6%
16	Harper	127	0.2%	138	0.2%	11	0.6%
17	Jewell	74	0.1%	82	0.1%	8	0.4%
18	Labette	226	0.4%	231	0.4%	5	0.3%
19	Leavenworth	292	0.5%	128	0.2%	-164	-8.7%
20	Linn	28	0.0%	30	0.0%	2	0.1%
21	Marshall	208	0.3%	247	0.4%	39	2.1%
22	Meade	82	0.1%	92	0.1%	10	0.5%
23	Miami	105	0.2%	89	0.1%	-16	-0.8%
24	Montgomery	438	0.7%	541	0.8%	103	5.4%
25	Morton	147	0.2%	150	0.2%	3	0.2%
26	Nemaha	163	0.3%	157	0.2%	-6	-0.3%
27	Norton	93	0.1%	95	0.1%	2	0.1%
28	Phillips	85	0.1%	99	0.2%	14	0.7%
29	Rawlins	65	0.1%	56	0.1%	-9	-0.5%
30	Republic	173	0.3%	136	0.2%	-37	-2.0%
31	Seward	316	0.5%	336	0.5%	20	1.1%
32	Sherman	193	0.3%	198	0.3%	5	0.3%
33	Smith	122	0.2%	128	0.2%	6	0.3%
34	Stanton	108	0.2%	117	0.2%	9	0.5%
35	Stevens	181	0.3%	188	0.3%	7	0.4%
36	Sumner	178	0.3%	215	0.3%	37	2.0%
37	Wallace	76	0.1%	72	0.1%	-4	-0.2%
38	Washington	235	0.4%	216	0.3%	-19	-1.0%
39	Wyandotte	7,290	11.7%	6,856	10.7%	-434	-22.9%
40	**Johnson**	**19,701**	**31.7%**	**18,787**	**29.4%**	**-914**	**-48.2%**
	Total Border Counties	34,460	55.5%	32,504	50.8%	-1,956	-103.2%
	Balance of State	27,598	44.5%	31,449	49.2%	3,851	203.2%
	Kansas	62,058	100.0%	63,953	100.0%	1,895	100.0%

KANSAS BORDER COUNTIES
WHOLESALE PAYROLL

No.	County	1998 Payroll	Percent State	2000 Payroll	Percent State	Growth	Percent State Growth
1	Atchison	$10,136,000	0.4%	$12,538,000	0.5%	$2,402,000	-6.4%
2	Barber	$1,985,000	0.1%	$1,918,000	0.1%	-$67,000	0.2%
3	Bourbon	$11,260,000	0.5%	$14,492,000	0.6%	$3,232,000	-8.6%
4	Brown	$4,398,000	0.2%	$5,111,000	0.2%	$713,000	-1.9%
5	Chautauqua	$824,000	0.0%	$897,000	0.0%	$73,000	-0.2%
6	Cherokee	$3,747,000	0.2%	$4,689,000	0.2%	$942,000	-2.5%
7	Cheyenne	$2,909,000	0.1%	$3,151,000	0.1%	$242,000	-0.6%
8	Clark	$809,000	0.0%	$916,000	0.0%	$107,000	-0.3%
9	Comanche*	$0	0.0%	$0	0.0%	$0	0.0%
10	Cowley	$9,045,000	0.4%	$15,221,000	0.7%	$6,176,000	-16.4%
11	Crawford	$17,283,000	0.7%	$21,241,000	0.9%	$3,958,000	-10.5%
12	Decatur	$2,778,000	0.1%	$2,609,000	0.1%	-$169,000	0.4%
13	Doniphan	$7,270,000	0.3%	$3,246,000	0.1%	-$4,024,000	10.7%
14	Greeley*	$0	0.0%	$0	0.0%	$0	0.0%
15	Hamilton	$3,241,000	0.1%	$7,734,000	0.3%	$4,493,000	-11.9%
16	Harper	$3,068,000	0.1%	$2,999,000	0.1%	-$69,000	0.2%
17	Jewell	$1,305,000	0.1%	$1,160,000	0.0%	-$145,000	0.4%
18	Labette	$4,703,000	0.2%	$4,173,000	0.2%	-$530,000	1.4%
19	Leavenworth	$3,516,000	0.1%	$6,144,000	0.3%	$2,628,000	-7.0%
20	Linn	$524,000	0.0%	$602,000	0.0%	$78,000	-0.2%
21	Marshall	$6,646,000	0.3%	$5,612,000	0.2%	-$1,034,000	2.7%
22	Meade	$2,656,000	0.1%	$2,402,000	0.1%	-$254,000	0.7%
23	Miami	$2,514,000	0.1%	$2,718,000	0.1%	$204,000	-0.5%
24	Montgomery	$11,456,000	0.5%	$10,768,000	0.5%	-$688,000	1.8%
25	Morton	$3,732,000	0.2%	$3,889,000	0.2%	$157,000	-0.4%
26	Nemaha	$3,877,000	0.2%	$4,386,000	0.2%	$509,000	-1.4%
27	Norton	$1,450,000	0.1%	$1,691,000	0.1%	$241,000	-0.6%
28	Phillips	$2,080,000	0.1%	$1,792,000	0.1%	-$288,000	0.8%
29	Rawlins	$2,169,000	0.1%	$2,373,000	0.1%	$204,000	-0.5%
30	Republic	$2,551,000	0.1%	$3,072,000	0.1%	$521,000	-1.4%
31	Seward	$10,103,000	0.4%	$10,184,000	0.4%	$81,000	-0.2%
32	Sherman	$5,393,000	0.2%	$5,350,000	0.2%	-$43,000	0.1%
33	Smith	$2,208,000	0.1%	$2,735,000	0.1%	$527,000	-1.4%
34	Stanton	$3,497,000	0.1%	$3,787,000	0.2%	$290,000	-0.8%
35	Stevens	$4,891,000	0.2%	$5,399,000	0.2%	$508,000	-1.3%
36	Sumner	$5,647,000	0.2%	$1,072,000	0.0%	-$4,575,000	12.1%
37	Wallace	$1,930,000	0.1%	$2,225,000	0.1%	$295,000	-0.8%
38	Washington	$4,882,000	0.2%	$5,248,000	0.2%	$366,000	-1.0%
39	Wyandotte	$255,477,000	10.8%	$270,426,000	11.6%	$14,949,000	-39.7%
40	**Johnson**	$840,179,000	**35.4%**	$979,299,000	**42.0%**	$139,120,000	**-369.2%**
	Total Border Counties	$1,262,139,000	53.2%	$1,433,269,000	61.4%	$171,130,000	-454.2%
	Balance of State	$1,108,293,000	46.8%	$899,486,000	38.6%	-$208,807,000	554.2%
	Kansas	$2,370,432,000	100.0%	$2,332,755,000	100.0%	-$37,677,000	100.0%

* Denotes counties with witheld payroll data, 1998

KANSAS
Cooperative Council

Written testimony
on behalf of the
Kansas Cooperative Council
816 SW Tyler, Suite 300
Topeka, KS 66612
785-233-4085

House Taxation Committee
February 11, 2003

Mr. Chairman and members of the committee. The following written testimony is submitted by the Kansas Cooperative Council who, on behalf of its membership, opposes HB 2111, the legislation to repeal sales tax on vital agricultural input components.

The Kansas Cooperative Council represents nearly 200 cooperative businesses that have a combined membership of nearly 200,000 rural Kansans. More than half of the Kansas Cooperative Council's membership are farm supply cooperatives owned by the local farmers. These farm supply cooperatives serve as retail operations supplying crop nutrients (fertilizers,) crop protection chemicals, seed, animal health and feeds, petroleum products and agronomic services to their farmer-owners. These cooperatives receive some of their supplies through the regional cooperatives that they own. These regionals also manufacture inputs necessary for both crop and livestock production and add value to the agricultural outputs these farmer-owned cooperatives provide.

As mentioned above, the Kansas Cooperative Council opposes HB 2111 which would repeal the tax exemption on tangible property sales, including that which is either an ingredient or component of manufacturing and/or operating processes. This legislation would create an additional financial burden on the entire agricultural community and food system throughout the state. As we all know, the agricultural producers will feel the burden most of all as the additional costs will be passed through to them.

U.S. agriculture in general, and especially in the state of Kansas, has faced serious adverse conditions the last several years. Agriculture has experienced a severe drought, additional costs from regulations passed through from the federal level and the need for increased market access. Our members are facing severe hardships.

We recognize that the state is not in financially good shape either. However, passage of any legislation that repeals a tax exemption this important to the entire Kansas agricultural community and food system, is not a reasonable solution for the state as a whole.

Therefore, we urge you to oppose HB 2111. Thank you for your consideration.