

MINUTES OF THE HOUSE TAXATION COMMITTEE.

The meeting was called to order by Chairperson John Edmonds at 9:00 a.m. on March 17, 2003 in Room 519-S of the Capitol.

All members were present except:

Representative Ruby Gilbert
Representative Mario Goico
Representative Lana Gordon
Representative Ed O'Malley
Representative Tim Owens
Representative Bonnie Sharp
Representative Lee Tafanelli

Committee staff present:

Chris Courtwright, Legislative Research Dept.
Gordon Self, Office of the Revisor of Statutes
Carol Doel, Committee Secretary

Conferees appearing before the committee:

Representative Geraldine Flaharty
Ron Hein, Kansas Hearing Aid Association
Day Kaufmann, Executive Director of the
Kansas Hearing Aid Association

Others attending:

See attached list

Chairman Edmonds opened the meeting asking if there were any bill introductions. T.C. Anderson requested the introduction of a bill that would clean up and clarify **SB 39** - *school district budgeting of certain moneys*.

Hearing no objections the Chairman accepted this bill for introduction.

Chairman Edmonds opened the meeting for public hearings on **HB 2238** - *sales tax exemption for Dream Work, Inc.* With there being no proponents and no opponents, the Chairman closed the hearing on **HB 2238**.

Next on the agenda was the opening of hearings on **HB 2084** - *sales tax exemption for hearing aids*. Representative Flaharty appeared as a proponent of the bill. In her testimony, Representative Flaharty pointed out that the bill addresses an inequity in sales tax payments by purchasers of hearing aids, a time consuming records and filing requirement for businesses, and a very small revenue source for the state. Also, currently purchasers without a doctor's prescription pays sales tax, those with a prescription do not. (Attachment 1)

Next to appear as a proponent to **HB 2084** was Ron Hein, legislative counsel for the KHAA (Kansas Hearing Aid Association.) Current tax law provides that hearing aids are exempt from sales taxation if they are prescribed by a physician licensed to practice medicine and surgery. Mr. Hein stated although they are supportive of this bill, the Association will not be pressing for passage this year due to the fiscal situation currently facing the state. (Attachment 2)

Both Representative Flaharty and Ron Hein stood for questions from the committee. Mr. Hein called on Mr. Day Kaufmann, Executive Director of Kansas Hearing Aid Association to answer some questions relative to the cost of hearing aids which he reported run from \$3,000 to \$5,000.

With no one further wishing to address the bill, Chairman Edmonds closed the hearing on **HB 2084**.

The Chairman opened the hearings on **HB 2175** - *sales tax exemptions for Cystic Fibrosis Foundation*. With neither proponents or opponents appearing on this bill, Chairman Edmonds called attention to written testimony from the Cystic Fibrosis Foundation. (Attachment 3)

Hearing was closed on **HB 2175**.

Chairman Edmonds called to the attention of the committee information distributed by Chris Courtwright which had previously been requested regarding municipal owned golf courses and green fees.

CONTINUATION SHEET

MINUTES OF THE HOUSE TAXATION COMMITTEE at 9:00 a.m. on March 17, 2003 in Room 519-S of the Capitol.

(Attachment 4)

With no further business before the committee, the meeting Chairman Edmonds adjourned the meeting at 9:23 a.m.

STATE OF KANSAS



TOPEKA

HOUSE OF
REPRESENTATIVES

GERALDINE FLAHARTY
REPRESENTATIVE 98TH DISTRICT
1816 FERNWOOD
WICHITA, KS 67216
(316) 524-8039
Email: Flaharty98@aol.com
STATE CAPITOL—279-W
TOPEKA, KANSAS 66612-1504
(785) 296-7690
HOTLINE: 1-800-432-3924
Email: flaharty@house.state.ks.us

COMMITTEE ASSIGNMENTS
MEMBER: EDUCATION
ENVIRONMENT
HEALTH & HUMAN SERVICES
TOURISM
JOINT COMMITTEE ON
PENSIONS, INVESTMENTS &
BENEFITS

March 17, 2003
Testimony HB 2084

Thank you for your time in considering this bill.

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

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

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

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

The state is receiving relative little income from this source. Last year, the SGF expected receipts of \$150,000 for 2003.

We are well aware of the current budget situation, but urge that you consider this equity issue as a part of your sales tax exemption deliberations.

Thank you.

House Taxation
Attachment 1
Date 3-17-03

HEIN LAW FIRM, CHARTERED

5845 SW 29th Street, Topeka, KS 66614-2462

Phone: (785) 273-1441

Fax: (785) 273-9243

Ronald R. Hein
Attorney-at-Law
Email: rhein@heinlaw.com

**Testimony re: HB 2084
House Taxation Committee
Presented by Ronald R. Hein
on behalf of
Kansas Hearing Aid Association
March 17, 2003**

Mr. Chairman, Members of the Committee:

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

The KHAA supports the passage of HB 2084. Current tax law provides that hearing aids are exempt from sales taxation if they are prescribed by a physician licensed to practice medicine and surgery. Under the current practice of members of our profession, and members of the audiology profession, most people who purchase hearing aids already receive the sales tax exemption. This is because our customers have either been referred to us by a physician, or, if a customer comes to us directly, they are either referred to a physician or a physician is consulted for the purposes of getting a prescription that would render the purchase tax exempt.

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

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

There wasn't a fiscal note on this bill when I looked this weekend, but there was a fiscal note on this legislation in 2002. The fiscal note is based upon good faith estimates by the Department of Revenue regarding the percentage of hearing aids which are purchased with and without prescriptions. The department contacted the KHAA and other associations in their efforts to make the most accurate estimate possible. Although we believe the vast majority of hearing aids are being sold tax free currently, our industry assumes that there are some people who may not presently be obtaining prescriptions before they purchase the hearing aid.

House Taxation
Attachment 2

Date 3-17-03

KHAA Testimony HB 2084
March 17, 2003
Page Two

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

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



...adding tomorrows every day.

March 14, 2003

Taxation Committee
Kansas House of Representatives
Topeka, Kansas

Re: House Bill No. 2175

Committee Members:

Thank you for considering granting the Cystic Fibrosis Foundation exemption from sales tax on all sales of tangible personal property in the state of Kansas.

The mission of the Cystic Fibrosis Foundation is to assure the development of the means to cure and control cystic fibrosis and to improve the quality of life for those with the disease. The Heart of America Chapter of the Cystic Fibrosis Foundation raises money to fund the research, care-giving and education necessary to fulfill that mission. We purchase certain goods and services in Kansas in connection with operation of our office and conducting fund-raising events. The amount of sales tax we pay in connection with such purchases is not significant to the State of Kansas. However, the amount is significant to the CF Foundation. The dollars saved by the CF Foundation through sales tax exemption would be used to fund the research so vital to fulfilling our mission.

Currently, the CF Foundation is exempt from payment of sales tax in Missouri. Consequently, whenever possible, we purchase our needed goods and services from Missouri vendors. Exemption from Kansas sales tax would eliminate the existing advantage of using Missouri vendors and cause us to spend more dollars in Kansas.

Please contact me with any questions regarding the CF Foundation and our request for exemption from Kansas sales tax.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Sherri Hahn'.

Sherri Hahn
Executive Director
Heart of America Chapter
Cystic Fibrosis Foundation

Heart of America Chapter
5799 Broadmoor, Suite 504 Mission, Kansas 66202
(913) 384-8997 Fax: (913) 384-1225 Internet: www.cff.org E-mail: hoa@cff.org
Chapter Web Site: www.cff.org/heartofamerica.htm

House Taxation
Attachment 3
Date 3-17-03

From: <Steven_R_Brunkan@kdor.state.ks.us>
To: <ChrisC@klrd.state.ks.us>
Date: 3/14/03 10:11AM
Subject: Municipal owned golf courses and green fees

Chris,

This last summer, I estimated what revenue would be taxed if green fees on public owned (either city or county) golf course were taxed. Updating that estimate to FY 04, I would estimate the state would receive \$1.3 million in new revenue annually. The SGF amount would be \$1.24 million.

I asked the Kansas Golf Association to provide the number of municipally owned courses. There are approximately 250 golf courses in Kansas and it is estimated that only 20% are municipal courses, owned by a city or county. In developing the estimate, the following assumptions were used: there are 200 golfing days a year, with 60 tee times a day and an average of 2 golfers per tee time for a total number of players per year per course of 24,000. Using an average green fee of \$20, the total green fees collected in a year would be \$24 million, which would generate 1.3 million in state sales tax

Steve

CC: <Richard_Cram@kdor.state.ks.us>

House Taxation
Attachment 4
Date 3-17-03