

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman John Edmonds at 9:00 a.m. on March 15, 2004 in Room 519-S of the Capitol.

All members were present except:

Representative David Huff- excused
Representative Paul Davis- excused
Representative Vaughn Flora- excused

Committee staff present:

Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Revisors of Statutes
Carol Doel, Committee Secretary

Conferees appearing before the committee:

Representative Bob Bethell
Representative Candy Ruff
Ken Hand - Wichita
Robert Topping, Jr., Owner Prairie Queen Bed and Breakfast

Others attending:

See Attached List

Chairman Edmonds opened the meeting for any bill introduction. There were none and the Chairman opened the public hearing on **HB 2910**.

Recognized as a proponent to **HB 2910** was Ken Hand from Wichita. Mr. Hand owns a 1911 Stanley Steamer. The steam for these antique automobiles is made by using kerosene to heat the water. The problem is they are unable to purchase kerosene because no supplier is set up to collect the road tax on this fuel. Therefore, they can't enjoy their hobby. He is urging the passage of **HB 2910**. (Attachment 1)

Representative Bethell also rose to give his support to **HB 2910**.

There were no other conferees on **HB 2910** and the Chairman closed the hearing.

Chairman Edmonds opened the public hearing on **HB 2703** recognizing Representative Bethell in who provided testimony in support of the bill which would reduce the tax on a "re-builder" by reducing the base tax of a vehicle class by 50%. Additional value remains taxed at the same rate. A "re-builder" is an automobile that due to an accident is deemed by the insurance company to be not worth repairing. In actuality the vehicle may have received very little damage and can be restored to road worthiness with some tender loving care. (Attachment 2)

There were no other conferees on **HB 2703** and the Chairman closed the hearing.

Next on the agenda was public hearing on **HB 2921** with the Chairman recognizing Representative Candy Ruff who came before the committee urging them to support the bill stating that the Bed and Breakfast Industry is an important part of Kansas Tourism. (No Written Testimony)

Robert Topping, Jr. Owner of the Prairie Queen B&B of Leavenworth, KS gave testimony in support of the bill. Mr. Topping stated that this legislation will support rural communities through the turn-over of dollars guests generate. B&Bs will remain a point of local area information and tourist promotion as well as a valuable asset in support of the travel and tourism initiatives of the Department of Tourism and the State. (Attachment 3)

With no other proponents, Ron Hein testified as an opponent to **HB 2921** on behalf of the Kansas Restaurant and Hospitality Association. It is their opinion that lodging facilities should be able to compete on a level

CONTINUATION SHEET

MINUTES OF THE HOUSE TAXATION COMMITTEE at 9:00 a.m. on March 15, 2004 in Room 519-S of the Capitol.

playing field. State taxation policy should not give an economic advantage to one facility or another simply due to whether or not the owner of the property occupies the property or dependent on an arbitrary number of rooms for lease. (Attachment 4)

With no other person wishing to testify either as a proponent or an opponent, Chairman Edmonds closed the hearing on **HB 2921**.

There was no further business before the committee and the meeting was adjourned at 10:00 a.m.

Thank you, Representative Edmonds and committee members, for the opportunity to appear before you this morning in support of and to talk about House Bill No. 2910 and more particularly Second 1, Subsection d, part (7) of that bill. I am Ken Hand and I live in Wichita. I will also speak this morning on behalf of Dick Freideman from Great Bend.

We both own Stanley Steamer automobiles, my car being a 1911 model and Dick's being a 1922 model. I don't believe there are any more steam powered cars in Kansas, at least in running condition, at this time except for a couple of very small cars in Wichita. My brother, who lives outside of Oklahoma City, owns a 1910 White Steam Car. It was manufactured by the White Sewing Machine Company. We make steam in these automobiles by using kerosene to heat the water to make the necessary steam. We are not able to purchase kerosene now because no supplier is set up to collect the road tax on this fuel. So, therefore, we can't enjoy our hobby. We only drive these cars in the summer and maybe put 1,000 - 1,500 miles on them per year. We get 8 - 10 miles per gallon of fuel.

There are maybe 150 running steam cars in the U. S. We get together a few times a year and have steam car tours in different states. This year, tours are scheduled in New Hampshire, Missouri, Colorado and California. We don't really have a club; there are no officers nor dues and it works pretty well. Somebody offers to sponsor next year's tour and it is their responsibility to find a place to stay, with three parking spaces for each participant, find routes to drive 60 - 85 interesting and pretty miles each day for five days. We have a starting banquet on Sunday night and another one on Friday night to end the tour. There will be 25 to 60 cars on each tour. With motels, food and fuel, we figure each car will spend an average of at least \$200.00 - 250.00 per couple per day, which helps the economy in these areas. But with the fuel situation, it is getting difficult to have tours in some states.

I have been going on these tours for over 20 years and think it is my turn to organize a tour somewhere in Kansas. I have been leaning on Mr. Friedeman to help me with the planning and hard work that it would take to put on a tour here. There would be cars and families here from 15 - 18 states. We would like to show off Kansas and the interesting places here. Some people think it is only flat spaces.

I would like to answer questions from the members here, including why we can't use pump gasoline which would be easy to purchase. And I would welcome any other questions you might have. I consider myself one of the world's leading experts on one of the world's least important technologies; running a steam car. I have some pictures and other documents to show if any one is interested in seeing them.

HOUSE TAXATION

Attachment 1

Date 3-15-04

Thank you, Representative Edmonds and committee members, for the opportunity to appear before you this morning in support of and to talk about House Bill No. 2910 and more particularly Second 1, Subsection d, part (7) of that bill. I am Ken Hand and I live in Wichita. I will also speak this morning on behalf of Dick Freideman from Great Bend.

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 HEALTH & HUMAN SERVICES
 SOCIAL SERVICES BUDGET

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TOPEKA

Testimony on HB 2703
By
Representative Bob Bethell
March 15, 2004

Chairman Edmonds and members of the House Tax Committee, I am Bob Bethell and I appear before you today in support of HB 2703.

HB 2703 is the result of a concern that was expressed by a resident of the 113th District. This person is one that owns and drives what is referred to as a "re-builder." A re-builder is an automobile (car or truck) that due to an accident is deemed by the insurance company to be not worth repairing. In actuality the vehicle may have received very little damage and can be restored to road worthiness with some tender loving care.

The business of re-building these vehicles is a benefit for some of the repair shops that do not have enough trade to keep the employees working steadily. It also allows some persons to purchase a vehicle at a reduced cost.

The issue of value and cost is addressed by HB 2703. Once a vehicle is deemed as a "re-builder" it carries a title that is marked as a re-builder. The value of the vehicle is reduced even though the safety and reliability of the vehicle may be equal to or better than one that has not been rebuilt. Auto dealers do not place a comparative value on these two types of vehicles, but the tax office does. While the value of two identical vehicles is not the same due to the repair work accomplished on one, the tax is.

HB 2703 would reduce the tax on a "re-builder" by reducing the base tax of a vehicle class by 50 percent. Additional value remains taxed at the same rate.

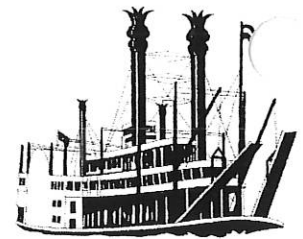
Mr. Chairman thank you once again for your interest in this issue and I request that the committee act favorably on HB 2703 and I will stand for questions.

HOUSE TAXATION
 Attachment 2
 Date 3-15-04



The Prairie Queen Bed & Breakfast

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Leavenworth, KS 66048
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E-mail: prairiequeen@attglobal.net
Web: www.prairiequeen.com



March 15, 2004

Mr. Chairman
Mr. Vice Chairman
Mr. Ranking Minority Member
Tax Committee Members

RE: Testimony on House Bill 2921

Last year I testified before you on my struggle to change my home that I operate as a B&B from commercial classification to residential. Today I would like to speak with you on behalf of the 112 members of the Kansas Bed and Breakfast Association. Numerous innkeepers are here with me today.

The Kansas Bed and Breakfast Association supports House Bill 2921 as written. This legislation will continue to support rural communities through the turn-over of dollars guests generate. B&Bs will remain a point of local area information and tourist promotion as well as a valuable asset in support of the travel and tourism initiatives of the Department of Tourism and the State of Kansas. Most importantly, House Bill 2921 will right the wrong created by the Department of Revenue, Property Valuation Division, when they issued Directive 99-039 and penalized virtually all Bed and Breakfasts by classifying them commercial. HB 2921 achieves this by classifying these homes at residential rates.

The back of my testimony provides you a map showing the distribution of bed and breakfasts throughout Kansas. The handout also provides you a graph depicting the distribution of 2004 KBBA members by size of inn.

Last year several innkeepers testified on the merits of the bill and other technical aspects. We will not repeat similar testimony. We will gladly assist you by answering questions you may have.

Thank you for the opportunity to speak with you today on behalf of bed and breakfasts in Kansas.

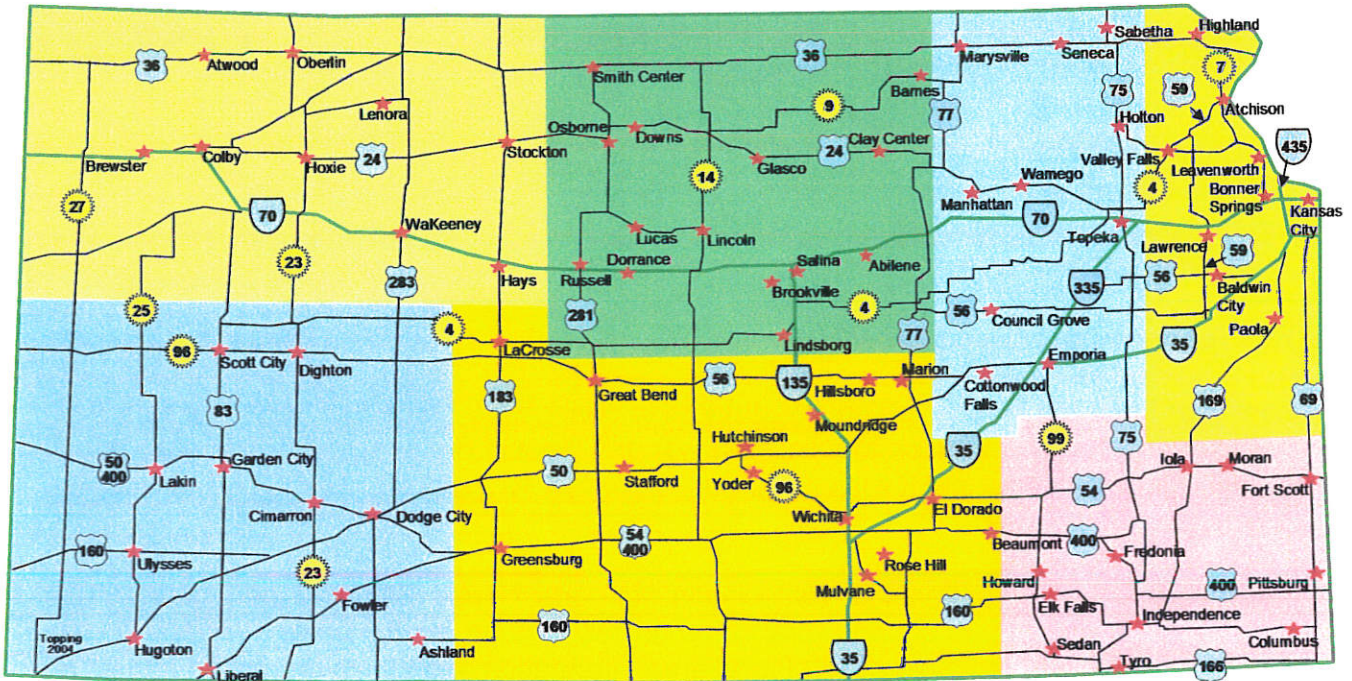
Robert E. Topping JR
Owner, Prairie Queen B&B
KBBA Corresponding Secretary
221 Arch St.
Leavenworth, KS 66048
913-758-1959

HOUSE TAXATION

Attachment 3

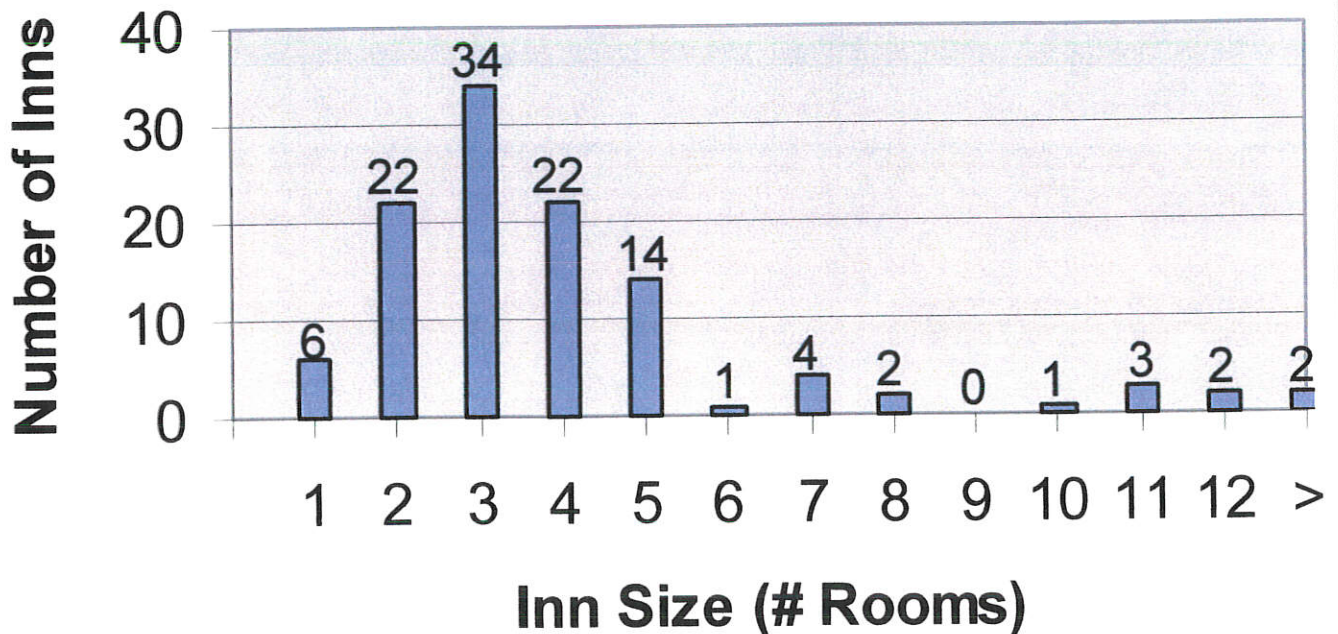
Date 3-15-04

2004 Kansas Bed & Breakfast Association Member Inn Locations



Inn Size Distribution

KBBA 2004 Inn Size Distribution



HEIN LAW FIRM, CHARTERED

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Phone: (785) 273-1441

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**Testimony Re: HB 2921
House Taxation Committee
Presented by Ronald R. Hein
on behalf of
Kansas Restaurant and Hospitality Association
March 15, 2004**

Mr. Chairman, Members of the Committee:

My name is Ron Hein, and I am legislative counsel for the Kansas Restaurant and Hospitality Association. The KRHA is the Kansas professional association for restaurant, hotel, lodging and hospitality businesses in Kansas.

The KRHA opposes HB 2921, because this legislation would result in an unequal property tax treatment for lodging facilities. The KRHA position on this issue is that the KRHA supports equal taxation for all lodging facilities regardless of owner occupancy status.

Lodging facilities should be able to compete on a level playing field. State taxation policy should not give an economic advantage to one facility or another simply due to whether or not the owner of the property occupies the property or dependent on an arbitrary number of rooms for lease. Many small hotel and motel owners, especially in rural areas, operate their lodging facilities as a small business, and live at the hotel so they are available to respond to guests who arrive at late hours. These facilities would be taxed at the higher commercial rate because of the number of units, even though they have the same arguments regarding their personal residence as do the bed and breakfasts.

State tax policy should be imposed and implemented as uniformly as possible.. We question owner occupancy and size making such businesses subject to different tax rate treatment if they are in business and are competing with other lodging facilities.

The argument that the personal living area should be taxed at a residential rate has some merit. If this legislation were amended so that a residential tax rate would be applied on the portion of a lodging facility, regardless of size, which is exclusively used for the owner's residence, we would have no objection. In that manner, every lodging facility would be taxed equally; there would be no unfair competitive advantage; and the owner's residential area would be taxed at the same rate as other residential property.

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

HOUSE TAXATION

Attachment 4

Date 3-15-04