

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on February 8, 2005 in Room 519-S of the Capitol.

All members were present.

Representative Lana Gordon - excused
Representative Bruce Larkin - excused

Committee staff present:

Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Revisor of Statutes
Richard Cram, Department of Revenue
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Secretary Joan Wagnon, Department of Revenue
Representative Thomas Owens, Legislator
Whitney B. Damron, P.A., City of Topeka
Larry Baer, League of Kansas Municipalities
Scott Schneider, City of Wichita
James Cox, The City of Overland Park
John M. Wright, Kansas Golf Course Owners Association (written testimony only)
Rick & Linda Farrant, Berkshire, Prairie View, Lake Perry Country Clubs (written testimony only)

Others attending:

See attached list.

The Chairman opened the floor for bill introductions

Whitney Damron appeared on behalf of the City of Topeka to request introduction of legislation that would restrict the authority of Shawnee County to levy ad valorem taxes in property located within the City of Topeka to the extent such taxes provide Shawnee County with revenue for the funding of services and/or functions otherwise provided by the City of Topeka. Representative Owens made the motion to introduce the bill. Representative Brunk seconded the motion. The motion carried.

On behalf of Representative Sloan the Chairman made the motion that a Committee bill be introduced relating to the Clean Drinking Water Fee. Representative Thull seconded the motion. The motion carried.

Representative Thull made a motion to introduce a bill that would provide property tax relief subsequent to a national disaster. Representative Huff seconded the motion. The motion carried.

Representative Siegfried made a motion to introduce a bill that deals with excise tax. Representative Kinzer seconded the motion. The motion carried.

Representative Brunk made a motion to introduce a bill regarding compensation for retailers collecting certain amounts of sales tax. Representative Davis seconded the motion. The motion carried.

HB 2056 - Sales tax exemption for cross-lines cooperative council

Mr. Courtwright stated that **HB 2056** would amend the main sales tax exemption statute to add an additional exemption for purchases of property and sales of property on behalf of the cross-lines cooperative council. He explained 501 (c) (3) sales tax exemption. Since the fiscal note related to a specific organization, the Department of Revenue cannot quote an exact amount, due to confidentiality, it would be relatively minor; less than \$50,000.

The Chairman opened the public hearing on **HB 2056**.

There were no proponents in attendance.

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on February 8, 2005 in Room 519-S of the Capitol.

Secretary Wagon spoke in opposition to the **HB 2056 (Attachment 1)**. The Department of Revenue in general opposes all three tax exemptions. She stated the goal of the Department was to provide a sound, workable and fair system of taxation and that there were four long established principles developed through case laws, tax policy and scholarly writings that should be considered:

- The broader the base, the lower the rate can be
- Taxation is the rule; exemption should be the exception
- Taxation of services makes the tax less regressive and more elastic
- Taxes should be fairly and equitably applied.

Her testimony included six questions to consider when evaluating tax exemption requests.

1. Does this exemption help maintain the sales tax as a final tax on consumption, i.e., exempting component parts or consumables used in producing goods or services?
2. Does this exemption make the tax more easily administered, or would it lead to confusion over whether one organization is taxed and another similar organization is exempt.
3. Who is the principle beneficiary of the exemption? What will be lost if the exemption is not granted?
4. Does the exemption set up an unfair competitive advantage for this group with another group?
5. Is the exemption targeted to a broad class, or a narrow specific interest? Why should all members of the class not be included? If this exemption is granted, who else might also expect to be exempted?
6. What is the public benefit from granting the exemption? How does it outweigh the loss of revenue for the general activities of the state?

Discussion followed regarding the validity of small organizations operating more cost effective and efficiently than the government and tax rates charged for labor services.

The Chairman closed the hearing on **HB 2056**.

HB 2080 - Sales tax exemption for Lyme Association of Greater Kansas City

The Chairman opened the hearing on **HB 2080**.

Representative Owens rose in support of the bill (no written testimony). He spoke of a friend who suffered from Lyme's disease, and a group of people that had formed an association for the purpose of providing support to persons with Lyme disease and produce and distribute public education material regarding to the prevention, treatment and cure of Lyme disease. A brochure that is used for such purchases was distributed to the Committee (Attachment 2). The Department of Revenue estimates that HB 2080 would decrease state revenues by less than \$1,000 in FY 2006.

There being no opponents the Chairman closed the hearing on **HB 2080**.

HB 2100 - Repealing sales tax exemption for purchases by municipal golf courses.

Mr. Courtwright stated the bill would repeal an existing sales tax exemption and would increase general funds by \$300,000. **HB 2100** would add the following language on page 1 lines 42, 43 and page 2, lines 1, 2 or (3) *such political subdivision is engaged or proposes to engage in the operation of a golf course and such items of tangible personal property or service are used or proposed to be used in such operation of a golf course;*. Discussions followed regarding various scenarios of when taxes would and would not apply and other municipal subdivisions that are taxable.

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on February 8, 2005 in Room 519-S of the Capitol.

In response to several questions on consistency of tax exemptions for statewide recreational facilities, either subdivisions or privately owned, staff agreed to research and provide information clarifying tax exemptions that would relate to this issue. Staff stated the intent of the bill related to equity concerns.

The Chairman opened the public hearing on **HB 2100**.

There were no proponents for the bill. Representative Gordon, a sponsor of the bill, was serving on the Select Committee on Education and unavailable for testimony.

Larry Baer, League of Kansas Municipalities, appeared in opposition to the **HB 2100**. It erodes an exemption that the original drafters of the Sales Tax Act felt strongly enough about to list as the first exemption in the Kansas Retailer's Sales Tax Act in 1937(**Attachment 3**). He concluded by stating that imposing sales tax on the development and operation of public facilities, that contribute to the quality of life of the citizens of Kansas, would increase the cost of operating those facilities and be counterproductive. The probable difficulties in administering the program were discussed.

Scott Schneider, Government Relations Director, City of Wichita, rose in opposition to **HB 2100** (**Attachment 4**). Golf in Wichita is supported entirely by the users and the cost of nearly \$100,000 annually would have to be offset by expenditure reductions and/or rate increases. He added that there are numerous other municipal courses throughout the State that would be adversely impacted. Competition between golf courses that are municipally owned, privately owned for the public and private golf courses were debated.

James Cox, Director of Parks and Recreation, The City of Overland Park submitted written testimony in opposition to **HB 2100** (**Attachment 5**).

John M. Wright, President, Kansas Golf Course Owners Association, sent written testimony in opposition to **HB 2100** (**Attachment 6**).

Rick & Linda Farrant, Owners, Berkshire, Prairie View & Lake Perry Country Clubs & The Athletic & Golf Club at Maple Creek, sent written testimony in opposition to **HB 2100** (**Attachment 7**).

Secretary Wagnon stated the Mr. Cram would present a chart that would bring clarity to the tax issues and to make a comparison between the imposition of the tax and exempting those things that go into providing services.

The Chairman closed the hearing on **HB 2100**.

The meeting adjourned at 10:30 a.m. The next meeting is scheduled for February 9, 2005.

HOUSE TAXATION COMMITTEE GUEST LIST

DATE: Feb 8, 2005

NAME	REPRESENTING
SLOTT SCHNEIDER	CITY OF WILHITA
Whitney Danna	City of Topeka
Janelle Nulssen	Hein Law Firm
Pat Ruhman	KRPA
LARRY R BAER	LKM
Richard Crum	KDOR
Brian Nye	INTERN - REP HUFF
Doug Vance	KRPA
Roger Brazier	City of Topeka/KRPA
Miki Smith	City of Lansing
Karraine Bluch	Lansing-Leavenworth Leadership
John Jackson	Lansing-Leavenworth Leadership
Debra Palmer	Lansing-Leavenworth Leadership
Dan Morrow	Intern Rep Kirk
Erik Santorius	City of Overland Park
George Petersen	KTN
Danielle Dancy	Intern - Dillmore
Michelle	Hein Law Firm
Deann Williams	KS Motor Carriers Assoc.



K A N S A S

JOAN WAGNON, SECRETARY

DEPARTMENT OF REVENUE
OFFICE OF THE SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

Goal: A sound, workable and fair system of taxation.

General Principles: The broader the base, the lower the rate can be.
Taxation is the rule; exemption should be the exception.
Taxation of services makes the tax less regressive and more elastic.
Taxes should be fairly and equitable applied.

In 1970 when the Hodge Commission studied the tax system they tried to examine the philosophy, equity, effectiveness of administration, and the relationship of the taxes to the goal of adequately financing governmental needs without adversely affecting economic growth. They recommended extensive revisions including

- Expanding the sales tax base to include some labor services and sports participation charges;
- Eliminating all sales tax exemptions for purchases by religious, benevolent and charitable institutions; (committee found that the imposition of these taxes represented a reasonable contribution to the costs of government by the otherwise-exempt organizations.)
- exempting “consumables” as a class rather than listing certain ones;
- exempting prescription drugs and medical aids.

The cost of eliminating the charitable exemptions was \$697,000 in 1970.

Today the list of charitable exemptions has grown to about \$26 million annually. Each year more and more organizations request exemption. It becomes difficult to “draw the line” and say yes to some, and not to others.

One of the most difficult things for a legislator or legislature to do is turn down requests for exemptions, particularly if the request is for a worthy cause or organization. It’s a lot easier for the Department of Revenue to oppose the exemptions than for legislators. Yet, every narrowing of the tax base, no matter how small, added to the others soon becomes a large amount – and represents money that won’t be available for other state priorities, like education, health care, etc.

Considering exemption requests piecemeal tends makes it harder to look at the larger picture, such as was done by the Hodge Commission. Having objective criteria to use in evaluating such a request is very helpful. The following are some suggested questions to ask, or criteria to use in evaluation of exemption requests.

1. Does this exemption help maintain the sales tax as a final tax on consumption, i.e., exempting component parts or consumables used in producing goods or services?

Hs Taxation Committee

February 8, 2005

DOCKING STATE OFFICE BUILDING, 915 SW HARRISON ST., TOPEKA,
Voice 785-296-3042 Fax 785-368-8392 <http://www.ksrevi> Attachment 1

2. Does this exemption make the tax more easily administered, or would it lead to confusion over whether one organization is taxed and another similar organization is exempt?
3. Who is the principle beneficiary of the exemption? What will be lost if the exemption is not granted?
4. Does the exemption set up an unfair competitive advantage for this group with another group?
5. Is the exemption targeted to a broad class, or a narrow specific interest? Why should all members of the class not be included? If this exemption is granted, who else might also expect to be exempted?
6. What is the public benefit from granting the exemption? How does it outweigh the loss of revenue for the general activities of the state?

The disease can pass through the placenta to an unborn child. Lyme bacteria have been found in breast milk. Research is needed for other possible modes of transmission.

PREVENT TICK BITES

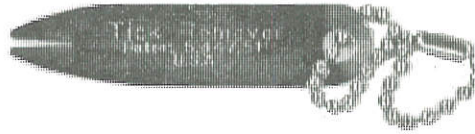
- Hike in the center of trails. Avoid plants.
- Wear: light-colored clothing to see ticks better, long pants tucked into socks, shoes that cover the feet (no sandals), and a hat.
- Use tick repellent. Follow directions. The CDC recommends repellents containing DEET. An all-natural alternative is Bite Barrier, sold at www.immunesupport.com, 1-800-366-6056.
- Use permethrin, an insecticide, on clothes (not skin) according to directions. It's found in the camping section of stores.
- Check yourself frequently for ticks. Look, feel, and use a mirror. Check cozy places: between toes, behind knees, groin, belly button, armpits, neck, in and behind ears, scalp, and where clothes fit tightly.
- Protect pets, and check them for ticks.
- Put clothes on high heat in the dryer for an hour to kill ticks on them, or put clothes in a trash bag and spray permethrin into it.

Remove ticks promptly. It often takes several hours for a tick to transmit Lyme. Remove attached ticks with a tick remover or fine-pointed tweezers, grasping it at the mouth (the point of attachment) and waiting for the tick to release itself. A tick remover tool works best for the nymphs. Don't squeeze the tick's body or use a hot match or chemicals; this may cause the tick to squirt Lyme germs into you, making illness more likely. Disinfect the bite site, removal tool, and your hands.

SOME RESOURCES

The Lyme Association of Greater Kansas City, Inc. is an affiliate of the national Lyme Disease Association.

www.Lymediseaseassociation.org
 Information, links: www.Lymenet.org
 Website for doctors: www.ILADS.org
 Full-color brochure from LDF: 1-800-886-5963



To buy a **tick removal kit** with remover tool, tick identification card, and 2 alcohol wipes, send a check for \$5 to: Lyme Association, P.O. Box 25853, Overland Park, KS 66225.

The Lyme Association of Greater Kansas City, Inc. is a non-profit service organization which serves as a support group for persons with Lyme and/or other tick-borne diseases. It also provides information to the public about tick bite prevention and tick-borne diseases.

The Lyme Association:

- Provides a hotline: 913-438-L-Y-M-E
- Publishes a monthly newsletter
- Cooperates with medical professionals
- Participates in area health fairs
- Makes presentations to groups
- Provides information packets and media resources
- Provides education packets to schools
- Holds monthly meetings for members
- Observes Lyme Awareness Month, May

Meetings are held the fourth Thursday of every month (except Nov. and Dec.) from 7-9 P.M. at St. Joseph's Hospital Community Center, at I-435 and State Line Rd. in Kansas City, MO. (Drive past the ER.) A holiday party is held the first Thursday of December.

The annual membership fee is \$30. Donations are appreciated and are income tax deductible. Members and donors of \$30 or more receive our monthly newsletter. To join or to make a donation, please send a check to: Lyme Association, P.O. Box 25853, Overland Park, KS 66225.

This brochure is presented 9/04 by the Lyme Association of Greater Kansas City, Inc. Thank-you to our donors for making it possible.

LYME DISEASE IS ON THE RISE

Protect Your Family

Lyme disease is a bacterial infection transmitted by a tick. The disease has been increasing rapidly in recent years. There were 40% more cases reported to the CDC in the year 2002 than in 2001.



Ixodes tick on thumb



Lyme Bacteria (spirochetes) (magnified)



EM rash



(Photos are from the CDC and NIH)

EARLY LYME SYMPTOMS

Some of these may appear in 1 to 32 days:

- An expanding EM (erythema migrans) rash
- Chills, with or without fever; swollen lymph nodes
- Sleepiness and/or fatigue
- Stiffness in neck and/or back, meningitis, Bell's palsy
- Headache, runny nose, sore throat
- Joint pain, muscle aches, heart problems
- Digestive system problems
- Mood changes, personality changes
- Memory and/or concentration problems

Lyme Association of Greater Kansas City
P.O. Box 25853, Overland Park, KS 66225
913-438-LYME Lymefight@aol.com
Website: www.Lymefight.info

Changes in mood and personality are especially common in children, as are stomach pain and irritable bowel syndrome.

There may be a red spot or rash, which may grow and may clear in the center. Other rashes may occur. **Take photos of rashes. Many people don't get a rash.**

This early stage may be confused with the flu. Some people don't get this early illness. When the early symptoms go away in a few days, it does not mean that you are over the disease.

Seek prompt medical attention if you suspect a tick-borne illness. If not treated promptly and adequately with antibiotics, more severe neurological, heart, joint, skin, eye, and other symptoms may appear weeks, months or years after the tick bite. Late symptoms often become chronic and disabling and sometimes lead to death.

LATE LYME SYMPTOMS INCLUDE:

- Sleep problems
- Difficulty with thinking, concentration, and memory; brain fog
- Depression, psychiatric problems
- Numbness, tingling, and burning sensations
- Tremors, paralysis, seizures
- Muscle pain, muscle weakness
- Joint pains, with or without swelling
- Ringing in ears, changes in hearing
- Eye pain, blurry vision, vision loss
- Irregular heartbeat, other heart problems

Late Lyme Symptoms May Resemble:

- Rheumatoid arthritis, meningitis, Bell's palsy
- Fibromyalgia, chronic fatigue syndrome
- Lupus, MS (multiple sclerosis), Parkinson's
- ALS (Lou Gehrig's disease)
- Epstein-Barr virus (mononucleosis)
- ADD (attention deficit disorder)
- Alzheimer's, autism, psychiatric illnesses
- Guillain-Barre syndrome, other diseases

DIAGNOSIS

Lyme disease resembles many other diseases, so diagnosis can be difficult, especially since many infected people never noticed the tick and didn't get the rash. Lyme tests are unreliable. Many people with Lyme (LD) have negative test results. Tests are usually negative in the first few weeks. Diagnosis is based on signs, symptoms and exposure to ticks. No test can prove a person does not have Lyme.

TREATMENT

Call your doctor if you get a tick bite. Some doctors prescribe antibiotics for the tick bite to prevent Lyme disease. Lyme disease is most likely to be cured if treated promptly. The medical advisors of the Lyme Disease Foundation (LDF) strongly suggest antibiotic treatment for a bite by a tick that can transmit LD. For early signs of Lyme disease, ILADS (International Lyme and Associated Diseases Society) doctors recommend a minimum of 6 weeks of antibiotics, to prevent relapses and chronic illness. (See "Basic Information" at www.ILADS.org). For the later stages, an extended course of antibiotics is often helpful. Antibiotic treatment during pregnancy can prevent a woman with LD from passing it to the child. Children born with the disease can benefit from antibiotics.

OTHER TICK-BORNE DISEASES

STARI, or Masters' disease, is a variation of Lyme disease transmitted by lone star ticks in Missouri, Kansas, and other states. There is no specific test for STARI, and it usually produces negative Lyme tests. The EM rash, other symptoms, and treatment are the same as for Lyme.

Ticks can transmit other diseases besides or along with Lyme. Co-infections are common and make diagnosis and treatment more difficult. Rocky Mountain spotted fever and ehrlichiosis can be fatal if not treated properly (CDC treatment information is at www.CDC.gov). Tick paralysis is a rare allergic reaction to a tick bite which can be fatal. Paralysis begins in the lower legs and moves quickly upward.

If the tick is found and removed in time, the patient recovers. Other tick-borne diseases include babesiosis, tularemia (rabbit fever), and bartonella (cat scratch disease). A tick bite does not always result in disease; not all ticks are infected. You can get Lyme disease more than once, if bitten by another infected tick.

THE TICKS

Lyme disease is caused by *Borrelia burgdorferi* (Bb) bacteria, which are spiral-shaped bacteria called "spirochetes." Black-legged ticks (*Ixodes scapularis*, also called "deer ticks") and lone star ticks transmit Lyme disease in the central states. American dog ticks can carry Bb, but it is unknown whether they can transmit it.

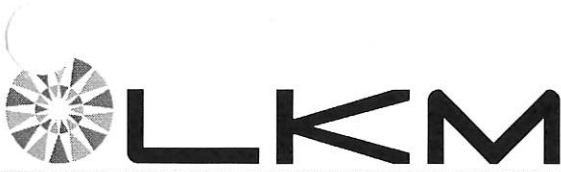
Ticks feed 3 times in their lives, as larvae, nymphs, and adults. They bite and remain attached for several days, feeding on blood. They bite year-round, with a peak season from April to September in the central states. **Lyme is often caused by the nymphs, which are as small as a poppy seed, so tiny they are often not detected.** Ticks pick up Lyme disease by biting an infected animal, often a rabbit, mouse, chipmunk, or bird. The tick then transmits Lyme to another animal or a human when it takes its next meal. Dogs, cats, and farm animals can get LD and may become lame.

WHERE IS LYME DISEASE?

Lyme disease is in all 50 states, and in Canada, Europe, Asia, Africa, and Australia. Over a thousand cases have been reported in Missouri and Kansas. Most cases aren't reported. It is spreading rapidly in the U.S. and worldwide by infected ticks carried on migrating birds and other wildlife. People contract Lyme disease at parks, lakes, camps, golf courses, farms, and even in their yards. Ticks like cool, moist places, such as low brush, tall grass, flower gardens, and piles of leaves. Ticks may sit on the tips of grass or drop from trees.

TRANSMISSION

Lyme is usually caused by a tick bite, and occasionally by mosquitoes, fleas, or horseflies. Lyme bacteria can survive in stored blood, so **people with Lyme disease should not donate blood or organs.**



League of Kansas Municipalities

Date: February 8, 2005
To: House Committee on Taxation
From: Larry R. Baer
Assistant General Counsel
Re: HB 2100 - Testimony in Opposition

Thank you for allowing me to appear before you today on behalf of the League of Kansas Municipalities and its member cities.

The League appears in opposition to HB 2100. It would amend K.S.A. 2004 Supp. 79-3606 to repeal the sales tax exemption that extends to municipally owned and operated golf courses. This exemption, which comes from the general sales tax exemption applicable to the State and its political subdivisions, has existed since the initial adoption of the Kansas Retailer's Sales Tax Act in 1937. When one reads K.S.A. 79-3606 and its legislative history it becomes obvious that the trend is to add to the list of those exempt from payment of sales tax rather than reducing the number of exemptions. Whether or not this is sound tax policy is a debate for another time. The point is that HB 2100 represents a change from what appears to have become "the norm". It also erodes an exemption that the original drafters of the Sales Tax Act felt strongly enough about to list as the first exemption in the Act.

Cities have long furnished parks and recreation activities for their citizens. Municipal golf courses are part of the park and recreation activities and amenities provided by cities. Because parks and recreation activities and facilities are tax supported, they are often offered at little or no cost to the participants. City owned and operated golf courses came into being to provide "rank and file" citizens with similar opportunities as those who were able to afford the initiation fees and monthly charges of private country clubs. Cities and other political subdivision believed this to be an appropriate use of public funds. They further believed it to be appropriate to subsidize with taxpayer funds the operation of golf courses and other park and recreation activities and amenities when necessary.

Cities are an important part of the economic backbone of Kansas. The development and redevelopment of public facilities, including municipally owned and operated golf courses, are necessary to the growth and stability of the Kansas economy. Imposing sales tax on the development and operation of public facilities that contribute to the quality of life of the citizens of Kansas increases the cost of operating those facilities and is counterproductive.

For these reasons, the League of Kansas Municipalities opposes HB 2100 and urges the Committee to reject it.

Hs Taxation Committee
February 8, 2005
Attachment 3



Scott J. Schneider, J.D.
Government Relations Director

TESTIMONY

City of Wichita
455 N Main, Wichita, KS. 67202
Wichita Phone: 316.268.4351
sschneider@wichita.gov

**Testimony before the House Committee on Taxation
Opposing HB 2100
February 8, 2005**

House Bill 2100 would require municipalities in Kansas to pay sales tax on purchases related to supporting municipal golf courses. The City of Wichita does not support this bill. The City spends around \$1.5 million annually on items that would become taxable under this bill. Since golf in the City of Wichita is supported entirely by the users (and not taxpayers), this cost (of nearly \$100,000 annually) would have to be passed on to Wichita golfers. The Wichita Golf mission is to provide high quality, low cost golfing opportunities to the citizens of Wichita. The accomplishment of this mission would be hampered by this bill.

The City operates five golf courses, with a mission of providing low cost, high quality golfing recreational opportunities to the 350,000 citizens of Wichita. In addition, Wichita Golf has a long history of using revenues from full fee paying customers to support a variety of programs to subsidize youth golfing. Any increase in the golf costs structure would have to be offset by expenditure reductions and/or rate increases.

In addition to the City of Wichita, there are numerous other municipal courses throughout the State that would be adversely impacted.

Thank you for your consideration.

Hs Taxation Committee
February 8, 2005
Attachment 4



8500 Santa Fe Drive
Overland Park, Kansas 66212
• Fax: 913-895-5003
www.opkansas.org

Testimony Before The
House Taxation Committee
Regarding House Bill 2100

By
James Cox, Director of Parks and Recreation
February 8, 2005

Honorable Chairman Wilk and Committee Members:

Thank you for the opportunity to testify today regarding House Bill No. 2100. I am James Cox, Director of Parks and Recreation for the City of Overland Park, Kansas. Part of my responsibility includes the maintenance and operation of 2 public golf courses which accommodate anywhere from 162,000 to 193,000 public golfers annually.

Our public, city-owned golf courses, as well as many others across the State of Kansas, operate to provide public recreation and open green space to citizens at the lowest cost possible. In many Kansas municipalities, this low-cost recreation is the only option for golf recreation. Unlike most private golf courses or country clubs in our area, our golf courses do not generate revenue from housing and land developments, investors, or expensive memberships. All of our revenue is produced by green fees and golf concessions paid directly by the golfers.

If House Bill 2100 is passed, it would have a direct impact on our public golfers. The additional cost of this bill would be passed on the golfers themselves. Approximately 20% of our golfers are seniors on fixed incomes, 10% are juniors and children. Additionally, we accommodate 15 high school boys and girls golf teams every spring and fall, to all of which we do not charge green fees. The remaining percentage of our golfers are public golfers seeking recreation and leisure activity.

If this bill is passed the City will be forced to consider green fee increases for the seniors and other public golfers, as well as adding green fees for all of the high school golf teams. We also host a three-day junior golf tournament for 400 juniors every summer for which we do not charge green fees. This also would be in jeopardy.

In the interest of the everyday public golfer, the seniors, juniors, and high school golf teams throughout this state, I speak in opposition to House Bill No. 2100. Thank You.

Hs Taxation Committee
February 8, 2005
Attachment 5

Kansas Golf Course Owners Association

February 9, 2005

State of Kansas House Taxation Committee
Topeka, KS

Honorable Chairman Wilk and Committee Members:

We apologize for not being present at the House Taxation Committee hearing on February 8, 2005 but were not informed as to the date, time and location of the hearing. We feel that our representation is very important to this bill. At this time we would like to request an opportunity to testify on this bill. Currently, private for-profit golf courses in Kansas are assessed at 30% of valuation on the green space. Non-profit private country clubs are assessed 12% on green space. Municipal golf courses pay no property or sales tax, since they are owned by local units of government.

The Kansas Golf Course Owners Association does support the House Bill 2100 that would require municipalities in Kansas to pay sales tax. As private golf course owners we are trying to provide quality recreation at a reasonable cost to citizens statewide. We are providing jobs, statewide purchasing, senior discounts, junior funded programs, charity events and free fees for schools. In addition we are paying property, real estate and sales taxes that support our state budget requirements. After we have met all these requirements we are then expected to compete with entities that do not pay taxes. This puts us at a disadvantage of about \$60,000.00 to \$100,000.00 per course each year. This makes it very difficult to compete with the municipalities that control the green fee structure based on no taxes. If our businesses charge more than the municipalities to help cover the tax disadvantage we lose business. If this issue continues, it may put some of the state taxpayers out of business.

It has been said that the municipal golf courses are supported entirely by user fees and not supported by taxpayers. Please consider that if you do not pay the taxes that every other business is paying and receive tax supported revenue bonds for financing, is this not tax supported? Secondly, many municipalities now have development courses that receive cash incentives from developers, increase in tax base and use area mill levy to reduce financing.

Finally we ask you as business owners yourselves, how would you react to your own business having to compete with entities that do not pay the same taxes you do? In interest of the State budget and fair business to all tax paying businesses statewide, we ask that House Bill 2100 be put into effect. If you have any questions please feel free to contact me at 316-721-2192 ext. 3 or email - jwrigh3@cox.net. Sincerely,

John M. Wright CGCS
President Kansas Golf Course Owners Association

jmw

Hs Taxation Committee
February 8, 2005
Attachment 6

● Page 2

February 9, 2005

7570 W. 21st Suite 1010B, Wichita, KS, 67205, 316-721-2192 – fax 316-721-6750



Date: February 11, 2005
To: House Committee On Taxation
From: Rick & Linda Farrant
Re: HB 2100 – Testimony in Support

Honorable Chairman Wilk and Committee Members:

Thank you for allowing my wife and I the opportunity to share our thoughts regarding the taxation issue related to golf courses. I feel that our thoughts represent those of all small business golf course owners across the state.

I thought it was interesting as I prepared to write this that a lobbyist or attorney does not represent me. I have a finance degree from Wichita State and my wife has an accounting major from the University of Kansas. Nevertheless, this is the type of legislation that normally passes us by without us ever knowing about. Our corporation operates four formally failed courses. Three are in the Topeka area and one is in North Kansas City. We also operate a sod farm, which helps us to subsidize the golf courses.

After reading the Testimony presented to the committee on February 8th we felt compelled to respond. Listed below are our thoughts.

- If the goal is to provide "low-cost recreation" then we whole-heartedly agree. However, our small business should not be taxed either.
- Our golf courses do not generate revenue from "housing and land developments, investors, or expensive memberships." Our rates are lower than all the public courses in our area. We currently charge \$29 per month for a FAMILY membership. We have 5 children of our own and we strive to make golf affordable for families, single parents, youth, etc.
- "20% of our golfers are seniors on fixed incomes, 10% are junior and children." Show me the course where this doesn't apply. "High school boys and golf teams" our courses do the same and so do all of the other private courses I checked with. We constantly offer no fees and discount rates to the various school fundraisers and activities. We host fundraising tournaments throughout the year and often donate proceeds back to the organization raising the money. Once again, we are not disputing that the public courses don't support the youth and various other organizations. However, our organization does the same.

To imply that the city's and county's need an unfair tax advantage in order to simply give high school golfers a good deal is offensive to us. We work extremely hard to provide great golf for a great price.

Here are some facts: We paid over \$140,000.00 in property and sales tax in 2004. We do not charge for high school golf and we don't charge for children. They play for free on their parents' membership. Our monthly dues for a single, couple or family in 2004 was \$25.00 a month (tax included). In addition to the taxes we have paid, we are also required to pay tax on any profit that we may earn.

In addition, many of the "exclusive" country clubs operate as 501c and they receive property and income tax breaks that we do not qualify for.

In summary, who loses? The sad reality is, it isn't the high school golfers or seniors because most of the mom and pop courses offer these groups and individuals golf at a lower cost than the city and county courses. The people who will lose are the employees of the privately owned mom and pop courses. We simply can't match the salaries and benefits that are offered by the city and county courses. If you come visit any or all of our 4 courses, you will see that we do not operate with any new equipment (mowers, trucks, work carts, etc.) The city and county courses upgrade their equipment each year. We do everything we can to compete with the city and county courses. This is just one example where our employees have made sacrifices in order to provide our service at a competitive price.

	Mom & Pop	City & Counties	501c Country Clubs
Sales tax	yes	no	Not sure
Property tax	yes	no	Discounted
Income tax	yes	no	no

Possible solutions: Apply the same tax rules to privately owned courses as you do to city and county courses. As it stands now, the law reads as if Wal-Mart is taxed and Kmart is not. How fair would this be? Our organization is in direct competition with all city and county courses. Why should the rules be different? Another solution would be to require that every city and county golf course come up for bid every three years. I think the city and county should be able to submit their own bids. However, let the small business owners bid as well. There are plenty of hardworking members of the National Golf Course Owners in the state of Kansas who would love to be able submit these bids. What better way to prove that your goal is "provide 'rank and file' citizens" with low cost golf.

Respectfully,

Rick & Linda Farrant, Owners

Berkshire Country Club
Prairie View Country Club
Lake Perry Country Club
The Athletic & Golf Club at Maple Creek

Hs Taxation Committee
February 8, 2005
Attachment 7