

## MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on March 4, 2005 in Room 519-S of the Capitol.

All members were present.

## 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 Wagon, Department of Revenue  
 Representative Jene Vickrey  
 Representative Bob Bethell  
 George McCrary, Baldwin Athletic Club, Baldwin  
 Scott Hudson, Maximus, Topeka  
 Brian Walburn, Walburn's Athletic Club, Emporia  
 Karleigh Venneman, Phase I Fitness, Pittsburg  
 Brian Clark, Golds Gym, Merriam & Olathe  
 Kathy Damron, YMCA's of Kansas  
 John Peterson, Kansas Health and Fitness Association  
 Gregory M. Ferris, Governmental Affairs Consulting, Wichita  
 April Holman, Kansas Action for Children (written testimony only)  
 David Corbin, Department of Revenue  
 Larry Baer, League of Kansas Municipalities

## Others attending:

Representative Edward O'Malley made a motion to introduce a bill regarding a modification to the Transportation Development District Act. Representative Dillmore seconded the motion. The motion carried.

**SB 105 - Countywide retailers' sales tax in Miami County**

**SB 105** would amend a local sales tax statute to ratify the results of a November, 2004, election in Miami County relative to extending an existing quarter percent sales tax earmarked for road construction and improvement for an additional five year period. The law also would be amended to clarify that Miami County has authority to seek voter approval of additional five-year extensions.

The Chairman opened the public hearing on **SB 105**.

Representative Vickrey stated the bill would allow the will of Miami County voters to be fulfilled (Attachment 1). The renewal of the 1/4 cent sales tax for transportation passed in the last general election by a margin of 2-1. It had local support for the following four reasons:

- ▶ High profile projects completed since 2001 have given widespread public confidence.
- ▶ Provides ability to address transportation infrastructure for one of the fastest growing counties in Kansas.
- ▶ Improvements have been distributed with equity addressed real and recognized priorities showing thoughtful planning.
- ▶ Reduces reliance on property tax.

Discussion followed regarding the process of authorization from the legislature *after* the voters had passed a 1/4 cent sales tax increase. Staff stated that although this is an exception to the current processes, the state had made this exception in at least two prior occasions in the 1990's, for Ottawa and Jackson Counties.

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on March 4, 2005 in Room 519-S of the Capitol.

There being no other conferees, the Chairman closed the hearing on **SB 105**.

**HB 2501- Reauthorization of school district ad valorem tax levy and exemption therefrom**

Mr. Courtwright stated that **HB 2501** is a bill that the legislature had to pass. The bill re-authorizes the 20 mill school finance levy for the next two school years as well as the \$20,000 residential "home stead" exemption from the 20 mill school levy. If the Legislature would choose to not pass the bill, there would be \$480.2 million less local effort in FY 2006. The governor's budget assumes that **HB 2501** will be enacted. The Chairman stated that he was currently working with staff to draft a balloon regarding the 20 mill lockbox concept that had been discussed, and they would return to **HB 2501** for Committee consideration.

There being no conferees for or against **HB 2501**, the Chairman closed the hearing on **HB 2501**.

**HB 2204 - Sales tax exemption for membership charges of health and fitness organizations and businesses**

Mr. Courtwright stated the bill proposed a new sales tax exemption for membership charges, including initiation fees from organizations and businesses whose primary purposes is to provide facilities, equipment, instruction or education to promote the health and fitness of members or the organizations or businesses. The fiscal note is estimated, by the Department of Revenue, to be \$1.8 million for FY 2006.

The Chairman opened the public hearing on **HB 2204**.

George McCrary - Baldwin Athletic Club appeared in support of **HB 2204**. He stated that one of the major purposes of the Kansas Health and Fitness Association was to promote health and fitness throughout the State of Kansas (**Attachment 2**). Last year obesity and related diseases were the second leading cause of preventable deaths in America. His testimony included eight sources of data on the correlation between increased physical activity, fitness, and wellness programs and reduced medical costs to individuals, companies, and government.

Scott Hudson, Maximus, Topeka rose in support of **HB 2204** (**Attachment 3**). He stated that the bill would encourage Kansans to join health and fitness clubs by removing the sales tax from dues paid to join those clubs. Removal of the sales tax does not put dollars in the owners till, but it makes participating less expensive. In the past the legislature has removed sales tax in areas to make them more affordable –two examples are utility bills and prescription drugs.

Brian Walburn, Walburn's Athletic Club, Emporia testified in support of **HB 2204** (**Attachment 4**). He stated that the bill is a positive and economical method of chipping away at the rising cost of medical costs associated with obesity. The bill has no losers. Existing club members are treated fairly and equitably, more Kansans can afford access to health and fitness, and Kansas will incur significant savings over the next several years.

Karleigh Venneman, Phase I Fitness, Pittsburg stood in support of **HB 2204** (**Attachment 5**). Many of the clubs in Kansas are women only clubs and some of these members would not work out if they had to work out in a co-ed environment. Many members of clubs live in cities where there are no alternatives except clubs where sales tax is charged. Sales tax should never discriminate, and the bill fixes a problem that makes one citizen pay a tax on the exact same service that someone else does not pay. This bill would undo the unfair penalties that are being assessed on health club members.

Brian Clark, Golds Gym, Merriam & Olathe appeared in support of **HB 2204** (**Attachment 6**). Traditionally the Kansas Legislature has refused to treat groups of taxpayers differently and has resisted passing legislation that does. When this type of inequity is pointed out, the Legislature has generally corrected the inequity. **HB 2204** corrects the different treatment of certain Kansas taxpayers that are using the same services.

April Holman, Kansas Action for Children, submitted written testimony in opposition of **HB 2204** (**Attachment 7**). Although they support efforts to encourage healthy lifestyles, they oppose the proposal to accomplish this goal through further erosion of the Kansas sales tax base.

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on March 4, 2005 in Room 519-S of the Capitol.

Kathy Damron, YMCA's of Kansas, testified from a neutral position (no written testimony). She reviewed the history of tax treatment of health and fitness organizations. The difference between a for-profit health and fitness club and a YMCA or YWCA is that the latter has a charitable mission; to serve the mission of building strong and healthy communities of families and kids. As such, they have a policy that no one is turned away by virtue of their inability to meet the minimum standards for membership or program fees. She spoke of the amount of scholarships that had been awarded throughout the state. The YMCA's of Kansas were granted sales tax exemptions on their program fees and membership dues, not as a way to promote health and fitness, but to help subsidize the scholarships that are given to children.

John Peterson, Kansas Health and Fitness Association, (no written testimony) clarified that there are types of exemptions that are given almost exclusively to not-for-profit organizations, exemptions for property tax, income tax and certain sales tax, for materials and products. The Health and Fitness Organizations are not seeking those types of exemptions. He reviewed the history of taxes imposed on sports, games and other recreational activities, stating that the health and fitness businesses do not believe they come under that category. However the Department of Revenue, by regulation, has placed them there. They need a specific exemption that would differentiate them from sports, games and recreational activities.

Gregory M. Ferris, Governmental Affairs Consulting, Wichita, stated he had been working with the Health and Fitness Organizations for a year (no written testimony). The purpose of the bill was to encourage physical activity by a providing a lower fee structure. The 5.3% tax would simply be removed from the bill. They anticipate that this would encourage people to increase their activity levels, as well as improve the retention rate of those organizations.

In response to the Chairman's request, Secretary Wagnon gave a brief history on the definitions of sports, games and recreational activities, as they pertain to health and fitness organizations, rules and regulations for that language and time line of tax exemptions.

The Chairman closed the hearing on **HB 2204**.

**HB 2057 - Property taxation, valuation of rebuilt motor vehicles**

Mr. Courtwright stated that **HB 2057** would amend the motor vehicle tax valuation statute, effective FY 2006, to provide a reduction of 25% of the original mid-point class valuation amounts for certain vehicles with rebuilt salvage titles or which formerly had non-highway titles because they had been wrecked or damaged, pursuant to a flood or fire. The fiscal note could reduce motor vehicles taxes by \$2.5 million the first year and could grow by that amount for all subsequent years.

Representative Huff offered a balloon on **HB 2057** (Attachment 8) and asked Representative Bethall to explain the balloon.

Representative Bethell stated the balloon amendment would cause a lessening of the work and therefore the concern that some have had concerning the labor required for the County Treasurers or their staff. **HB 2057** would insert language to reduce the classification, by two classes. The only issue that must be considered is that to initialize the lower valuation of "salvage title" vehicles the owner of that vehicle must present at the County Treasurer's office the first year only. To solve this problem, when the Kansas Department of Revenue sends their renewal notices during the first year after passage, include a notification of the new issue concerning the "salvage title" effect on the valuation. The responsibility of the change is clearly the owner of the vehicle.

Representative Owens moved that the amendment on **HB 2057** be adopted. Representative Brunk seconded the motion. The motion carried.

Representative Brunk made the motion that **HB 2057**, as amended, be passed out favorably. Representative Goico seconded the motion. The motion carried.

**HB 2131 - Delay of destination sourcing rules for sales tax purposes until action of Congress**

## CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on March 4, 2005 in Room 519-S of the Capitol.

The Chairman opened the floor for discussion on Streamlined Sales Tax Program (SSTP).

Topics included: Possibility of a simplified approach to non-local tax by assessing one rate to be used for remote sales to all locations; limitation and violation of the Commerce clause that would disadvantage interstate commerce; complexity of issue due to 19 different local tax rates; burden placed on small retailers for conversion, possibility of exemption for small business; moratorium on SSTP until a national program is enacted.

The meeting recessed at 10:30 a.m. for the House session, and reconvened at 11:15 a.m.

The Chairman opened the floor for continuation of the discussion on SSTP. Participants in the discussion were Secretary Wagnon, David Corbin, Larry Baer, staff and all Committee members. Topics included: ramifications of SSTP to small communities, past election results, Department of Revenue's efforts to facilitate conversion for small businesses, philosophy of SSTP implementation agreement of 34 states, the legality of exemption from the SSTP for small businesses, activities of various committees at the National level, public perception of SSTP program.

Representative Edward O'Malley made an announcement that there would be a sub-committee meeting on the "Investment in Excellence" fund on Monday at 1:00 p.m.

The Chairman adjourned the meeting at 1:30 p.m. The next meeting is scheduled for March 8, 2005.

STATE OF KANSAS

HOUSE OF REPRESENTATIVES

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CHAIRMAN - HOUSE COMMITTEE ON  
GOVERNMENTAL ORGANIZATION  
AND ELECTIONS

COMMITTEE ASSIGNMENTS  
TRANSPORTATION  
FINANCIAL INSTITUTIONS

JENE VICKREY  
6<sup>TH</sup> DISTRICT

March 4, 2005

Testimony before the House Committee on Taxation

**SB 105 - Countywide retailers' sales tax in Miami County**

Mr. Chairman and members of the Committee, I appear in support of the bill before you today concerning the countywide retailers' sales tax in Miami County. The bill allows the will of Miami County voters to be fulfilled. Today we have the opportunity to show support of local control. The renewal of the 1/4 cent sales tax for transportation passed in the last general election by a margin of almost 2 to 1.

Reasons the ballot measure had local support:

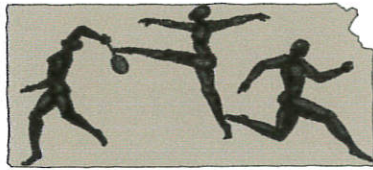
- High profile projects completed since 2001 have given widespread public confidence.
- Provides ability to address transportation infrastructure for one of the fastest growing counties in our State.
- Improvements have been distributed with equity addressing real and recognized priorities showing thoughtful planning.
- Reduces reliance on property tax.

Thank you for your kind consideration and assistance in favorable passage of **SB 105**.

Jene Vickrey

District 6

Hs Taxation Committee  
March 4, 2005  
Attachment 1



# KANSAS

*Health and Fitness Association*

## House Taxation Committee

Testimony of George McCrary  
Kansas Health and Fitness Association  
HB 2204  
March 4, 2005

***“So many of our health problems can be avoided through diet, exercise and making sure we take care of ourselves. By promoting healthy lifestyles, we can improve the quality of life for all Americans, and reduce healthcare costs dramatically.”***

**Tommy G. Thompson, Secretary U.S. Department of Health and Human Services, September 2003**

Athletic Clubs of Overland Park ■ Athletic Club Warehouse ■ Baldwin Athletic Club ■ Blitz ■ Bodies Elite ■ Body Boutique ■ Club Lafemme ■ Cottonwood Racquet Club ■ Curves ■ Dales Athletic Club ■ Dynamic Health ■ Fit Physique ■ Genesis Health Clubs ■ Get Fit Bee Fit ■ Get Fit Wellness Center ■ Gold's Gym ■ Health Connection ■ Health for Life Center ■ Indian Creek Racquet ■ Ladies Workout Express ■ Lawrence Athletic Clubs ■ Lee's Energy Connection ■ Maximum Fitness & Wellness ■ McPherson Athletic Club ■ One on One Fitness & Wellness ■ Overland Park Racquet ■ Performance Enhancement Center ■ Phase One Fitness ■ Pinnacle Sports & Fitness ■ Prairie Life Center ■ Pro-Fitness ■ Quivera Sports Clubs ■ Shawnee Fitness Club ■ Sturdy Bodies ■ Town & Country Racquet ■ Walburns Athletic Club ■ Workout City ■ 24 Hour Fitness

HS Taxation Committee  
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Attachment 2

**House Taxation Committee**  
**Testimony of George McCrary**  
**Baldwin Athletic Club, 926 Ames, Baldwin City, (785) 594-2582**  
**Kansas Health and Fitness Association**  
**HB 2204**  
**March 4, 2005**

Mr. Chairman and Members of the Committee, my name is George McCrary, and I am the owner/operator of the Baldwin Athletic Club of Baldwin City and am appearing on behalf of the Kansas Health and Fitness Association. I am pleased to be here to speak in support of HB 2204. Our organization represents 70 clubs in 28 communities representing over 150,000 individual members. One of the major purposes of the KHFA is to promote health and fitness throughout the State of Kansas. By removing the sales tax cost on membership dues for health and fitness clubs HB 2204 will definitely help accomplish this goal.

Last year obesity and related diseases were the second leading cause of preventable deaths in America. Type II diabetes, cardiovascular disease, and high blood pressure are all related to obesity and overweight. New studies are showing an increase in breast and colon cancer links to being overweight. While these statistics are alarming, they may not be the most devastating. Childhood obesity is attacking our children at a disastrous level. In 1982 only 4% of children were overweight but in 2001 the figures are nearly 30%. A new study suggest one in four overweight children is already showing early signs of type II diabetes and 60% already have at least one risk factor for heart disease. Last, but not least, hospital costs associated with childhood obesity rose from \$35 million in 1979 to \$127 million in 1999.

Most health care reform discussions are about how to develop plans to pay for rising health care costs. Unfortunately rather than developing a true health care plan, the talk is really about a "sick care" plan. While this is needed to aid those who need medical attention it is reactionary and not preventative. HB 2204 is a step in the right direction in truly addressing a "health care" plan. Health and fitness are the first line of defense and prevention against obesity and thus is the State's best, most economical solution a healthier Kansas.

Will the adoption of HB 2204 have any impact on who uses a fitness facility? The answer is a resounding YES! The removal of the sales tax on the membership dues will effectively give someone about 2/3 of a month of free fitness. The International Health Racquet and Sportsclub Association (IHRSA) has calculated that this type of discount will add to the affordability of fitness and should translate into a minimum of a three or four percent increase in additional Kansans exercising. This translates into at least 6600 to 8800 Kansans that will be improving their health.

Health and Fitness Clubs of today are not the old stereotype gyms of yesterday. They offer true health alternatives. Many clubs offer nutrition training, personal fitness training, as well as support groups to help individuals attain a full lifestyle change. Member after member can testify of the life changing benefits that come from these lifestyle changes. Since 31% of our members make under \$50,000 per year (Source: *IHRSA/American Sports Data Health Club Trend Report, 2002*) the savings they will incur will be significant to them. This will encourage them to continue exercising, thus reducing their chances of overweight and obesity related diseases.

Many clubs also offer special youth programs. These programs teach youth the value and fun of exercise. These lessons will have great significance not only in combating childhood obesity, but also laying a foundation for healthiness that they will keep to adulthood. Most clubs offer family rates that encourage families to join, bring their children, and enjoy the benefits of exercise.

Finally, there are volumes of data showing the correlation between increased physical activity, fitness, and wellness programs and reduced medical costs to individuals, companies, and government. Here is a small portion of this data:

- Johnson & Johnson found an approximate \$225 per person per year reduction in medical care expenditures among those involved in a health and wellness program that places considerable emphasis on health promotion through exercise. (Source: *Journal of Occupational and Environmental Medicine, 2002*)
- Research by the Dallas-based Cooper Clinic indicates that being a faithful exerciser may cut hospital stays and doctor's visits—for serious or minor illnesses—by almost half. A 19-year study of nearly 7,000 men aged 20 to 80 suggested that fit men reduced their medical visits and bills by 46 percent. The study also showed that men and women who were out of shape and eventually became fit were able to lower their chances of being hospitalized by 42 percent.
- In a research study of 5689 adults who were monitored over an 18 month period, mean healthcare charges for non smokers who exercise three times a week were 49% lower than for inactive people who smoke. (*Journal of American Medicine (JAMA), Dec. 15, 1999*)
- Nearly 10% of every dollar spent on medical care is due to physical inactivity. (Source: *The Economic Cost of Physical Inactivity in Michigan, 2003*)
- Mesa, Arizona, found a savings of \$87 per year savings per enrollee per year in medical costs. (Source: *AWHP's Worksite Health, 1999*)
- Birmingham, Alabama had costs drop \$922 under the state average after the development of fitness and lifestyle programs. (Source: *Worksite Wellness: 20 year Cost Benefit Analysis and Report: 1979-1998, University of Michigan Health Management Research Center, 1998*)



- In the state of Michigan physical inactivity results in the loss of twenty days per worker, costing the state \$8.6 billion annually. (Source: *The Executive Summary: The Economic Cost of Physical Inactivity in Michigan, 2003*, by D. Chenoweth, G. DeJong, L. Sheppard and M. Lieber,)
- Companies are experiencing significant benefits from investment in wellness and fitness programs. Some of these are: (Source: IHRSA report *The Economic Benefits of Regular Exercise, 2004*)
  - Pacific Bell \$1.38 of savings for every \$1.00 invested
  - Pfizer \$4.29 of savings for every \$1.00 invested
  - Motorola \$3.93 of savings for every \$1.00 invested
  - Bank of America \$3.00 of savings for every \$1.00 invested

There is no reason to believe the State of Kansas will not experience the same types of return on their investment in the passage of HB 2204.

Other savings to the State should incur include:

- Increased Income Taxes received by the State as some deductible medical expenses are eliminated as more people become fit.
- Increased Income Taxes received by the State as productivity is increased in businesses and profits increase as a result of this productivity increase.
- Additional Sales Taxes received by the State as less money is spent on non-taxable medical expenses and more is available for spending on items from which the State receives Sales Tax.

Kansas is the winner with the passage of HB 2204. We urge you to take this first step to a healthier Kansas by your support. Thank you for your attention, and I would be glad to answer any questions.

**HOUSE TAXATION COMMITTEE**  
**Testimony of Scott Huston**  
**Maximus Fitness & Wellness, 5515 Southwest 21<sup>st</sup> St., Topeka (785) 271-0200**  
**Kansas Health and Fitness Association**  
**House Bill 2204**  
**March 4, 2005**

Mr. Chairman, Members of the Committee, my name is Scott Huston and I am pleased to appear before you in support of HB 2204. I am the owner of Maximus Fitness and Wellness here in Topeka and serve as President of the Kansas Health and Fitness Association.

All of us are concerned with promoting the health, and healthy lifestyles of our fellow citizens. The legislature is looking at promoting healthy food choices for school age children and other plans to fight obesity and to promote healthy lifestyles. We recognize that lack of exercise, smoking and poor eating habits, are the greatest preventable cause of the health crisis facing America today.

**The Surgeon General's Call to Action to Prevent and Decrease Overweight and Obesity** published in 2001, suggested this as the Principles of the document:

*Overweight and obesity have reached nationwide epidemic proportions. Both the prevention and treatment of overweight and obesity and their associated health problems are important public health goals. To achieve these goals The Surgeon General's Call to Action to Prevent and Decrease Overweight and Obesity is committed to these five principles:*

- *Promote the recognition of overweight and obesity as major public health problems.*
- *Assist Americans in balancing healthful eating with regular physical activity to achieve and maintain a healthy or healthier body weight.*
- *Identify effective and culturally appropriate interventions to prevent and treat overweight and obesity.*
- *Encourage environmental changes that help prevent and treat overweight and obesity.*
- *Develop and enhance public-private partnerships to help implement this vision.*

The members of the Kansas Health and Fitness Association are committed to these same principles. We do the first four of these principles everyday in our clubs. We are asking you to enter into the fifth principle by working in a public-private partnership to encourage exercise and healthiness. This is what HB 2204 is all about.

HB 2204 will encourage Kansans to join health and fitness clubs by removing the sales tax from dues paid to join those clubs. Removal of the sales tax does not put dollars in the owners till, but it makes participating less expensive. In the past the legislature has removed sales tax in areas to make them more affordable -- utility bills and prescription drugs would be two examples.

We would urge you to take a similar step to promote exercise, fitness and healthy lifestyles by supporting HB 2204.

Hs Taxation Committee  
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Attachment 3

**House Taxation Committee**  
**Testimony of Brian Walburn**  
**Walburns Athletic Club**  
**1007 Commercial St. Emporia, (620) 340-8081**  
**HB 2204**  
**March 4, 2005**

Mr. Chairman and Members of the Committee, my name is Brian Walburn and my father and I are the owner/operators of Walburns Athletic Club of Emporia. Thank you for allowing me to address you today in support of HB 2204, the removal of sales tax on health and fitness club membership dues.

This Committee is going to be primarily concerned about the cost HB 2204 will have to the State of Kansas. I think the answer to that question is; there will not be any cost to the State, and in fact the State will actually save significant dollars over the next several years if HB 2204 is passed. Costs for overweight and obesity are great and some of these direct costs to the State of Kansas can be documented.

Approximately 1,184,000 Adults (18 or Older) in Kansas are overweight or obese (Source: *2003 Behavioral Risk Factor Surveillance System, Office of Health Promotion, KDHE*). According to the Centers for Disease Control and Prevention, obesity-attributed medical expenses in Kansas totaled \$657 million in 2003 or \$555 per person for those who are overweight or obese.

- \$138 million of the total being paid by Medicare
- \$143 million of the total being paid by Medicaid
- The State of Kansas and its taxpayers are paying 43% of the obesity-related medical expenses

There are approximately 220,000 Kansans that belong to private health and fitness clubs. This includes those members of clubs belonging to the Kansas Health and Fitness Association, and those who do not (Source: *KHFA membership survey, 2004*). The International Health Racquet & Sportsclub Association (IHRSA) conservatively estimates that the elimination of sales tax on membership dues will translate into a 3-4% increase in membership or 6600 to 8800 Kansans exercising that were not before. This could easily translate into savings of overweight and obesity related medical spending of \$3 to \$4 million annually as obesity is reduced. When you compare this to the less than \$2 million Fiscal Note on HB 2204, the State could save money.

The *Wichita Eagle* on February 28, 2005 called the financial challenge facing the State regarding Medicaid as, "more difficult to solve than adequately funding schools." The *Eagle* further stated that the State's share of Medicaid costs have been increasing an average of 12 percent a year, and is expected to continue

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Attachment 4

climbing. HB 2204 is a positive and economical method of chipping away at these increases.

Other financial benefits to the State of encouraging wellness through health and fitness programs are well documented in many studies. For example, *The Executive Summary: The Economic Cost of Physical Inactivity in Michigan, 2003*, by D. Chenoweth, G. DeJong, L. Sheppard and M. Lieber, concluded if one of every twenty sedentary adults in the state of Michigan became and remained physically active the state could avoid costs of approximately \$575 million in four years. While there is no specific study like this in Kansas the same concept applies. If Kansas achieved only 5% of the savings projected by the Michigan study, the State would save over three times the amount of the Fiscal Note.

This is a bill where there are no losers. Existing club members are treated fairly and equitably, more Kansans can afford access to health and fitness, and the State of Kansas will incur significant savings over the next several years. I hope you can support HB 2204.

**House Taxation Committee**  
**Testimony of Karleigh Venneman**  
**Phase 1 Fitness, 822 N. Broadway, Pittsburg, 620-232-9035**  
**HB 2204**  
**March 4, 2005**

Mr. Chairman and Members of the Committee, my name is Karleigh Venneman, and I am the owner/operator of Phase 1 Fitness in Pittsburg. I am here in support of HB 2204, the repeal of sales tax on health club membership dues.

There are many reasons that this bill should be passed. There are significant health benefits to Kansans. There will be financial savings to the State. But just as important is the fairness issue.

If someone wants the ability to work out in a smaller, more relaxed environment, like my club allows, they should not be penalized. Many of the clubs in Kansas are women only clubs and some of these members would not work out if they had to work out in a co-ed environment. They should not be penalized. Finally, many members of clubs live in cities where there are no alternatives except clubs where sales tax is charged. They should not be penalized.

Sales tax should never discriminate, and HB 2204 fixes a problem that makes one citizen pay a tax on the exact same service that someone else does not pay. Please support this bill and undo the unfair penalties that are being assessed on health club members. Thank you.

**House Tax Committee  
Testimony  
Brian Clark, Gold's Gym  
6501 Frontage, Merriam, KS 66202, 913-722-2001  
House Bill 2204  
March 4, 2005**

Mr. Chairman, Members of the Committee, my name is Brian Clark. I am here representing Gold's Gyms, one in Merriam and one in Olathe. On behalf of the owner, Wade Ferguson and everyone connected with Gold's Gym I am pleased to give testimony to you in support of HB 2204.

HB 2204 which proposes the elimination of sales tax on membership dues should be supported. It will encourage wellness and physical fitness, as it will make exercise more accessible and less expensive for Kansans. The health benefits alone are enough to make this bill worthy of passage. However, it is also about more than health.

First, I should point out what the bill does not include. There are no proposed sales tax exemptions for any equipment, supplies, goods and services that are purchased by a health club. HB 2204 only addresses the membership dues and initiation fees paid by individual Kansans.

Traditionally Kansas and the Kansas Legislature have refused to treat groups of taxpayers differently. The Legislature has resisted passing legislation that does this. When this type of inequity is pointed out, the Legislature has generally corrected the inequity. HB 2204 corrects the different treatment of certain Kansas taxpayers that are using the same service.

Today, one member of a health club pays sales tax, while their neighbor may not. This is not because of the service or product they might receive; rather it is because of where they receive the service. This happens due to a Kansas Statute that makes membership dues for a non-profit health club sales tax exempt, while requiring members for all others to pay tax for the same service. It is important to point out, that the club does not pay tax, whether they are tax exempt or not, it only collects the tax. The individual members are the ones paying the tax. The inequity goes even further.

In the majority of cities in Kansas there are no non-profit clubs so there are none that are exempt from collecting sales tax on memberships. This means that citizens who live in most Kansas cities are not given the same benefits as citizens who live in some other cities where different types of health clubs exist. The Legislature has inadvertently made citizens in Dodge City, Arkansas City, Coffeyville, Manhattan, Hiawatha, Lansing, Newton, and others pay taxes that


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Attachment 6

some people from Wichita, Topeka, Overland Park, Hutchinson, Emporia, etc. don't have to pay. This inadvertent discrimination is easily corrected by the passage of HB 2204.

Finally, I have one additional concern. The Missouri Legislature has pending legislation that will make membership dues for all health clubs sales tax exempt. Some clubs in Johnson County and Kansas City, Kansas, could lose members to Missouri clubs if this provision passes in Missouri and HB 2204 does not. Obviously this will negatively affect our clubs, but it will also cost the State of Kansas revenues as these members leave Kansas Clubs to go to Missouri. These losses will be in the form of sales tax paid on goods these members would purchase that are not sales tax exempt under HB 2204 and income taxes clubs pay. It also creates a situation where Kansas citizens will be unfairly inconvenienced as they seek cost savings by utilizing Missouri based fitness clubs.

So while this bill is a great benefit to the health of Kansans – it also corrects a provision that discriminates against some Kansans and protects the loss of revenues to Missouri. I hope you will support this Legislation. Thank You.

## FISCAL FOCUS

Budget and Tax Policy in  Perspective

April Holman  
Legislative Testimony  
HB 2204  
House Committee on Taxation  
March 4, 2005

Good morning Chairmen Wilk and members of the Committee. On behalf of Kansas Action for Children, I would like to thank you for this opportunity to testify before the Committee.

In 2003, Kansas Action for Children began a new initiative called Fiscal Focus. The purpose of Fiscal Focus is to improve the economic security of Kansas children and their families and ensure a balanced and fair tax system and budget process that protects the well-being of children and families as well as a stable system of state revenues.

My purpose in testifying today is to oppose further erosion of the Kansas sales tax base. A decade ago, the Kansas sales tax rate was 4.9 percent. There were a total of 36 sales tax exemptions. In fact, school finance legislation in 1992 repealed six sales tax exemptions in order to broaden the base. In comparison, the current sales tax rate is 5.3 percent and there are now more than sixty sales tax exemptions. According to the Kansas Department of Revenue, sales tax exemptions cost the state in the range of \$3.0 billion annually, which is more than the amount collected in sales and use taxes each year.

When more parties share in paying a tax, the portion necessary from each party to generate the same revenue is less. Conversely, when fewer parties share in paying a tax the portion necessary from each party to generate the same revenue is larger. While a broader base would not make the sales tax less regressive, a lower rate would greatly benefit those Kansans least able to pay the tax.

Although we support efforts to encourage healthy lifestyles, we must respectfully oppose the proposal to accomplish this goal through further erosion of the Kansas sales tax base.



HOUSE BILL No. 2057

By Committee on Taxation

1-13

9 AN ACT concerning personal property taxation; relating to valuation of  
10 rebuilt motor vehicles; amending K.S.A. 79-5105 and repealing the  
11 existing section.  
12

13 *Be it enacted by the Legislature of the State of Kansas:*

14 Section 1. K.S.A. 79-5105 is hereby amended to read as follows: 79-  
15 5105. (a) A tax is hereby levied upon every motor vehicle, as the same is  
16 defined by K.S.A. 79-5101, and amendments thereto, in an amount which  
17 shall be determined in the manner hereinafter prescribed, except that:  
18 (1) (A) For 1995, the tax on any motoreycle shall not be less than \$6 and  
19 the tax on any other motor vehicle shall not be less than \$12; and (B) the  
20 tax on each motor vehicle the age of which is 15 years or older shall not  
21 be more than \$12; and (2) for 1996, and each year thereafter: (A) The  
22 tax on any motoreycle shall not be less than \$12 and the tax on any other  
23 motor vehicle shall not be less than \$24, except as otherwise provided by  
24 clause (B) and (C); (B) the tax on any motoreycle the model year of which  
25 is 1980 or earlier shall be \$6 and the tax on any other motor vehicle the  
26 model year of which is 1980 or earlier shall be \$12; and (C) if the tax on  
27 any motoreycle in 1995 was more than \$6 but less than \$12, the tax shall  
28 be determined for 1996 and each year thereafter in the manner herein-  
29 after prescribed but shall not be less than \$6, and if the tax on any other  
30 motor vehicle in 1995 was more than \$12 but less than \$24, the tax shall  
31 be determined for 1996 and each year thereafter in the manner herein-  
32 after prescribed but shall not be less than \$12.

33 (b) The amount of such tax on a motor vehicle shall be computed  
34 by: (1) Determining the amount representing the midpoint of the values  
35 included within the class in which such motor vehicle is classified under  
36 K.S.A. 79-5102 or 79-5103, and amendments thereto, except that: (A)  
37 The midpoint of class 20 shall be \$21,000 plus \$2,000 for each \$2,000 or  
38 portion thereof by which the trade-in value of the vehicle exceeds  
39 \$22,000; and (B) in tax year 2006 and thereafter, ~~a motor vehicle for~~  
40 ~~which a rebuilt salvage title, as defined in K.S.A. 8-197, and amendments~~  
41 ~~thereto, or a formerly nonhighway title, branded as wrecked or damaged,~~  
42 ~~flood or fire, has been issued. The midpoint amount shall be reduced by~~  
43 ~~an amount equal to 25%;~~ (2) if the model year of the motor vehicle is a

the classification of

shall be reduced by two classes

Hs Taxation Committee  
March 4, 2005  
Attachment 8

This amendment will cause a lessening of the work and therefore the concern that some have had concerning the labor required for the County Treasurers or their staff.

The classification of vehicles changes the appraisal value of vehicles approximately 15% for each classification up or down. This amendment changes the valuation of the vehicle that carries a "salvage title" down two classifications therefore lessening the value by 30%. It is important to note that once the classification is changed it is constant from that time on, therefore needing no more attention to keep the reduction of that amount constant.

The only issue that must be considered is that to initialize the lower valuation of "salvage title" vehicles the owner of that vehicle must present at the County Treasurer's office the first year only. To solve this problem when the Kansas Department of Revenue (KDOR) sends their renewal notices during the first year after passage include a notification of the new issue concerning the "salvage title" effect on the valuation. The responsibility of the change is clearly the owner of the vehicle.