

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on March 11, 2008 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Legislative Research Department
Gordon Self, Office of Revisor of Statutes
Ryan Hoffman, Legislative Research Department
Scott Wells, Office of Revisor of Statutes
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Senator John Vratil
Mike Beam, Kansas Livestock Association
Whitney Damron, KS Sport Hunting Association
Ken Corbet, Ravenwood Hunting Preserve
Brad Harrelson, Kansas Farm Bureau
Ronnie Ruff, Ruff-Outfitters, Hampton, KS (written only)
David Corbin, KDOR
Paul Babcock, Private Citizen (written only)
April Holman, Kansas Action for Children (written only)

It was noted that minutes from the Taxation meetings on: February 14, 19, 20, 21, 22, 25 and 26th were sent electronically to the Taxation committee on March 4th. By consensus they were considered approved on March 11th, 2008.

SB 487 - Sales tax exemption for fees for guided and non-guided hunting and sale of game birds

Chris Courtwright, Legislative Research Department, explained **SB 487** would exempt from sales tax any fees or charges for participation in guided and non-guided hunts; fees or charges for sporting clay; and sales of game birds used for hunting. As amended the exemption is expanded to include fishing expeditions and excursions, clay shooting sports and hunting or fishing leases. The adjusted fiscal note is \$550.00.

Senator John Vratil, submitted written testimony in which he stated the bill would prevent the imposition of sales tax on certain hunting and hunting related activities. Imposing sales tax on these activities penalizes those who participate in those activities and it has the potential to discourage participation in the activities (Attachment 1).

Mike Beam, Kansas Livestock Association, said that guided and non-guided hunts have become a significant portion of many of their member's operations in recent years. The income generated off of these activities is subject to income tax; therefore, it is their belief that these type of activities should not be subject to sales tax in Kansas (Attachment 2).

Whitney Damron, KS Sport Hunting Association, stood in support of **SB 487**. He said there has been some confusion or misunderstanding in the past as to whether sales taxes are applicable to certain activities and sales that are conducted at hunting preserves and shooting ranges. He provided the history of hunting and recreational sports in Kansas and concluded by stating **SB 487** would clarify the application of sales taxes on certain hunting, fishing and shooting-related activities in the state (Attachment 3).

Ken Corbet, Ravenwood Hunting Preserve, testified that Ravenwood Lodge have hunt providers and bird producers in over 80 counties in the state of Kansas. Eighty percent of their hunters are from out-of-state. Out of state hunting is up six percent, while in-state hunting has declined by six percent. Without the support of farmers and ranchers, there would be no opportunity for the outdoor legacy of hunting and sport shooting, for which Kansas is known. He urged the Committee to adopt **SB 487** (Attachment 4).

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on March 11, 2008 in Room 519-S of the Capitol.

Brad Harrelson, Kansas Farm Bureau, said that the Bureau disagrees with KDOR recent interpretation that sales tax should be remitted by business and individuals providing hunting services and property owners who charge access fees for hunting. By imposing an additional sales tax KDOR is double-taxing these businesses and individuals. Other providers in the State are not required to remit sales tax on services provided and he asked why these businesses are being singled-out (Attachment 5).

David Corbin, KDOR, testified that **SB 487** would reverse the Department's interpretation in Notice 07-08, (included in testimony) that explains the sales tax imposition in statute on the gross receipts derived from hunting activities. He said this is a tourism issue and the question remains whether or not the legislature wants to charge sales tax to out-of-state citizens (Attachment 6).

It was noted that written testimony in opposition to the bill was received and distributed from April Holman, Kansas Action for Children, and Paul Babcock, Private Citizen (Attachment 7).

The Chairman closed the public hearing on **SB 487**.

SB 510 - Property tax exemptions; certain farm machinery and equipment

Scott Wells briefed the Committee on **SB 510**. He said the bill would amend the definition of "farm machinery and equipment" in regard to property tax exemptions. It would include any bed or box that is attached to a motor vehicle which is actually and regularly used in a farming or ranching operation. The enactment of **SB 510** would reduce property tax revenues by expanding the definition of a current exemption.

The Chairman opened the public hearing on **SB 510**.

Mike Beam, Kansas Livestock Association, said the need for **SB 510** arose in order to establish a consistent application of what was perceived to be the existing property tax treatment for truck beds and feed boxes. They believe a statutory clarification should be made to make it clear that the policy of this state support the exemption for truck beds and feed boxes used in farming and ranching operations (Attachment 8).

It was noted that Brad Harrelson, Kansas Farm Bureau, submitted written testimony in support of **SB 510** (Attachment 9).

At the Chairman's request, Tony Folsom and Roger Hamm came to the podium to explain a conflicting interpretation of existing statute, between BOTA, KDOR and local appraisers. The Chairman requested that Scott Wells, Office of Revisor of Statutes, draft a balloon to clarify what is current practice and establish a consistent application across the state.

The Chairman closed the hearing on **SB 510**.

The meeting was adjourned at 10:20 a.m. The next meeting is March 12, 2008.

State of Kansas

JOHN VRATIL
SENATOR, ELEVENTH DISTRICT
JOHNSON COUNTY
LEGISLATIVE HOTLINE
1-800-432-3924



COMMITTEE ASSIGNMENTS
CHAIR: JUDICIARY
VICE CHAIR: EDUCATION
MEMBER: FEDERAL AND STATE AFFAIRS
ORGANIZATION, CALENDAR
AND RULES
SENTENCING COMMISSION
INTERSTATE COOPERATION

Vice President Kansas Senate

Written Testimony Presented to
The House Taxation Committee
By Senator John Vratil
March 11, 2008
Concerning Senate Bill 487

Good morning. Thank you for the opportunity to appear before the House Taxation Committee in support of Senate Bill (SB) 487. The language in SB 487 would prevent the imposition of sales tax on certain hunting and hunting related activities.

In December, 2007, it came to my attention that the Kansas Department of Revenue had decided to impose a tax on guided and non-guided hunts and on the fees and charges associated with the sport of "sporting clays." The tax was to begin January of this year. When I learned of the sales tax, I was perplexed. We, the members of the Kansas Legislature, have devoted a considerable amount of effort to ensure that agricultural-based tourism and related activities are encouraged. Our efforts have been based on the belief that certain activities, such as hunting and hunting related sports, draw people into Kansas and encourage them to spend money on hotels, food, Kansas products, etc.

Imposing a sales tax on hunting (guided and non-guided) and hunting related activities penalizes those who participate in those activities and it has the potential to discourage participation in the activities. The sales tax is counterproductive to our past efforts to develop agriculture-based tourism. Please support SB 487 which would excludes fees and charges related to hunting and hunting related activities from sales tax.

A handwritten signature in blue ink that reads "John Vratil". The signature is fluid and cursive, written in a professional style.

HOME
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LEAWOOD, KS 66206
(913) 341-7559
jvratil@lathropgage.com

DISTRICT OFFICE
10851 MASTIN BLVD.
SUITE 1000
OVERLAND PARK, KS 66210-2007
(913) 451-5100
FAX (913) 451-0875

STATE
TOP
F
vrati

HS Taxation
3-11-08
Attachment 1



Since 1894

TESTIMONY

To: The House Committee on Taxation
Rep. Kenny Wilk, Chairperson

From: Mike Beam, Sr. Vice President

Date: March 11, 2008

Subject: **Senate Bill 487** -Sales tax exemption for fees for guided and non-guided hunting and sale of game birds for hunting

Mr. Chairman and Committee members, I'm Mike Beam and I'm here today representing the Kansas Livestock Association who supports the passage of SB 487.

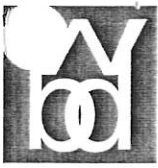
Guided and non guided hunts have become a significant portion of many of our members operations in recent years. These producers view this activity as a way to diversify their operation and provide additional income from their land's natural resources. In many cases, farmers and ranchers have used hunting and guide services as a means to provide enough additional income to allow a family member to become actively involved in the farming or ranching operation. All of the income generated from these activities is subject to income tax.

In other situations, farmers and ranchers have begun leasing the hunting rights on their property to individuals and/or to guides and outfitters. Once again, these leases are subject to income tax. When the original bill was introduced, we asked the Senate Assessment and Taxation Committee to clarify that hunting leases were exempt from sales tax. You'll see this language, lines 34-35 on page 3, specifically clarifies these leases are not to be subject to taxation.

In conclusion, hunting leases and guide services have become a vital part to many farming and ranching operations in the state of Kansas. The income generated off of these activities is subject to income tax; therefore, it is our belief that these types of activities should not be subject to sales tax in Kansas.

Thank you.

HS Taxation
3-11-08
Attachment 2



TESTIMONY

**TO: The Honorable Kenny Wilk, Chair
 And Members of the House Taxation Committee**

**FROM: Whitney Damron
 On behalf of the Kansas Sport Hunting Association**

**RE: SB 487 - An Act concerning sales taxation; relating to imposition
 of tax; hunting and sale of game birds.**

DATE: March 11, 2008

Good morning Chairman Wilk and Members of the House Taxation Committee.

I appear before you today on behalf of the Kansas Sport Hunting Association in support of SB 487 that would clarify the application of sales taxes on certain hunting, fishing and shooting-related activities in our state.

By way of information for the Committee, the Kansas Sport Hunting Association is a not-for-profit association of hunting service providers and game bird producers with members that offer the entire spectrum of hunting and shooting services, products and experiences in Kansas, including game bird breeding, hunting guide services, dog training, food and lodging, clay target sports and related services and recreational opportunities.

The KSHA would like to express its appreciation to the Committee for holding hearings on SB 487 following its passage in the Senate by a 40-0 vote on February 13, 2008.

As the Kansas Department of Revenue noted in comments made to both the House and Senate Taxation Committees earlier this year on this topic, there has been some confusion or misunderstanding in the past as to whether sales taxes are applicable to certain activities and sales that are conducted at hunting preserves, shooting ranges or even farmers providing access to land for hunting as well as products and services offered for sale by the hunting industry, including game birds and guide services. SB 487 is an attempt to clarify this area of law and codify in statute what the Legislature deems appropriate sales tax policy for these sales, transactions and activities.

During hearings held in the Senate, the Department of Revenue indicated that prior to the fall of 2007, it was its opinion that certain hunting related products and services were not subject to a sales tax or at the least, those involved in these kinds of businesses had been given conflicting advice from the Department as to whether certain sales, transactions and activities were subject to sales tax application. Regardless of past advice, sometime during the last year, a change in that determination was made and the Department sent out a Self-Audit Notice to 148 businesses involved with these kinds of products and services seeking a remittance of past due taxes for the preceding three years.

After a meeting with representatives of the Kansas Sport Hunting Association in December of 2007, the Department sent out a subsequent notice of intent to begin enforcing their revised policy effective January 1, 2008. Irrespective of how or why we got to where we are today, we believe SB 487 as currently written is sound public policy with significant benefits to the state that should be adopted by the Legislature.

Many of us in Kansas who have a history of opening day hunting weekends with family and friends will understand when I say there are fewer and fewer places for Kansans and non-Kansans to hunt now than there was when we were growing up. This is attributable to many things, including a steady migration of people from rural to urban areas, which produces fewer hunters, hunting land lost to private hunting leases, loss of wildlife and habitat and many other factors. But there continues to be a strong interest from the public at large with hunting, shooting sports and outdoor recreational opportunities. Today there are as many as 200 or more hunting and shooting facilities in our state that cater to the outdoorsman and woman to provide quality hunting and shooting experiences for both Kansans and those from out of state.

The state of Kansas should do all it can to encourage the growth in this industry, which necessarily increases revenues to state and local governments and businesses in our state that sell firearms, ammunition, clothing, dog training and veterinarian services and supplies to those who take part in these kinds of activities.

Through controlled shooting areas working in conjunction with game bird breeders, patrons of these facilities have the ability to hunt pheasant, quail and other game birds in Kansas from September 1 through March 31. Without controlled shooting areas, hunting seasons are limited by Wildlife and Parks depending upon breeding patterns, wildlife populations and related factors that limit these seasons generally from November through January.

The imposition of a sales tax on the kinds of services exempted in SB 487 may or may not have a significant impact upon the industry going forward, particularly on the larger operations involved in this industry. However, it also would not have a significant impact on state revenues and would become a regulatory headache for farmers and ranchers and those who are in this business to make a few extra dollars when the crops are in and the cattle content, as they would have to obtain a sales tax number from the state, create a separate accounting process and submit their requisite sales taxes to the state on a periodic basis.

There is concern with the precedent involved with applying a sales tax to a service; i.e., hunting guides, dog trainers, shooting lessons and related services.

I found the question and answer portion of this Committee's discussion on January 17 to be very interesting and probably raised more questions than it answered.

- If a farmer leases land to another farmer to graze cattle, is it subject to sales tax? I believe I heard the answer was "no."
- If a farmer leases land to a group of doctors for a duck lease, is the lease subject to sales tax? I believe I heard the answer was "yes".

What if the farmer who leases the land for his cattle in the first example can also hunt on the land?

We can go much further with these kinds of examples, but I believe the Committee developed an understanding of some of our concerns and the need for clarity with this area of law. There appears to have been some subjectivity in the interpretations made in the past by the Department of Revenue, which leads us to the position of supporting legislation such as SB 487 to provide clarity in statute for those involved in this industry.

To digress for just a minute, I would also note for the Committee that I have some personal experience with this issue. In 1993, when I was on the Board of Capital City Gun Club located west of Topeka, we received a notice of audit in regard to all of our shooting activities at the club, including trap, skeet and even pistol, rifle and black power shooting events similar to what the Department sent out in 2007. We were informed that we were required to collect sales taxes on all shooting events at our club, including trap and skeet, as well as any sales made at the club. Since that time, we have obliged the Department by collecting and remitting sales tax to the state for all "sales" at Capital City Gun Club. In the past 16 years, we have remitted approximately \$15,000.00 to the State of Kansas in sales taxes. It's not easy to find a person at a volunteer club to handle these kinds of transactions and the requisite paperwork, but fortunately we have done so and we hope he never turns in his resignation.

Kansas ought to be doing more to encourage hunting and the shooting sports in our state, not less. Most clubs in Kansas are non-profit and run by volunteers who contribute a significant amount of time and money to make their club work, just like we do at Capital City Gun Club. By and large, these clubs are open to the public and offer a public service that the Kansas Department of Wildlife and Parks only wish they could provide.

Most guide services and hunting preserves involve a farmer or rancher taking a few friends on a hunt, which expands over time to perhaps include lodging at the old homestead, meals cooked by the family and accommodations for hunting dogs and so on. Requiring those interested in getting into this business to collect sales taxes on each and every aspect of their venture seems counter productive to fostering this growing industry and opportunity.

Removing the requirement of collection of sales taxes on these kinds of services and transactions would be a reasonable step by the state to encourage further investment of this kind in our state.

Hunting preserves and controlled shooting areas range from relatively modest operations to multi-million dollar facilities with a worldwide customer base. There are a great number of these facilities in our state that are growing each and every year by providing a quality hunting and outdoor experience for their customers. These kinds of operations are located in rural areas of our state and provide opportunities for additional income for farmers and ranchers and those they employ or contract with. They provide recreational opportunities for hunting, shooting and gun dog enthusiasts who generally have significant disposable income.

Opponents to SB 487 have tried to emphasize that the exemption of sales tax on these sales will unduly benefit out-of-state customers and the state should do more to capture sales tax dollars from these individuals. I would suggest that the state ought to do all it can to encourage Kansans to get into the hunting and shooting business, which is what SB 487 will do, and let the state receive the benefit of increased jobs, income taxes and sales taxes on non-exempt items rather than trying to get 5.3 percent of every dollar brought into our state from beyond its borders. Foster a healthy industry and everyone will benefit, from the main street diner, hunting and fishing supply stores and employees to Uncle Sam and his cousin, the State of Kansas.

No one is here before the Committee asking for an exemption of traditional retail sales by those entities that routinely sell outdoor-related goods, such as ammunition, firearms, hunting and outdoor gear and related products. However, legislative clarity on certain goods and services that many people, including at times the Department of Revenue thought were already exempt or should be is what this legislation is designed to address.

And finally, I would respectfully take issue with the Department of Revenue's Fiscal Note on SB 487. The Department estimates the state will lose \$650,000 annually from the passage of this legislation, based upon data obtained from the National Survey of Fishing, Hunting, and Wildlife Associated Recreation. The Department estimates a loss of \$500,000 annually from current sales taxes applicable to "guide fees, pack trip or package fees and land use access fees" that are estimated at \$10 million annually. However, the Department also says that they would not and do not seek to impose a sales tax on land use fees. How much of the \$10 million is related to land use fees?

Furthermore, how much of the estimated \$500,000 in sales taxes is being collected now, based upon the Department's historically conflicting position on whether sales taxes are applicable to these transactions? That, I would respectfully suggest, is the true fiscal note of this bill, not an estimate of what could be brought into the state if the Department's current position were codified in statute and enforced.

On behalf of the Kansas Sport Hunting Association I thank you for your consideration of my testimony and respectfully request your support of SB 487 as adopted by the Senate.

**The Economic Importance of Hunting
International Association of Fish and Wildlife Agencies
Report prepared by Southwick Agency**

Kansas

1996

Number of Hunters (deer, migratory & upland):	275,000
Economic Impacts for All Hunting:	\$374,945,337
Earnings:	\$169,746,410
Jobs:	9,553
State and Local Tax Revenue:	\$20,962,922

2006

Number of Hunters (deer, migratory & upland):	271,175
Economic Impacts for All Hunting:	\$270,981,258
Earnings:	\$142,771,519
Jobs:	5,864
State and Local Tax Revenue:	\$29,695,037

In ten years:

- Number of hunters declined by 4,000.
- Economic Impact declined by \$100 million.
- Earnings declined by \$15 million.
- Jobs declined by 3,700

- State and local tax revenues increased by \$9 million.

To: Representative Wilk, Chairman
And Members of the
House Taxation Committee:

From: Ken Corbet
Ravenwood Lodge

Re: SB 487 - Sales tax on hunting and sale of game birds

Date: March 11, 2008

Good Morning Chairman Wilk and Members of the House Taxation
Committee:

My name is Ken Corbet and I am the owner of Ravenwood Lodge located
southwest of Topeka. At Ravenwood we provide guided field hunts and
sporting clays.

I am the past president of the Kansas Sport Hunting Association and am
currently on their board of directors. We have hunt providers and bird
producers in over 80 counties in the state of Kansas. Without the support of
these farmers and ranchers, there would be no opportunity for the outdoor
legacy of hunting and sport shooting for which Kansas is known.

On behalf of Ravenwood and the KSHA, I appear before you today to
support SB487.

Sincerely,



Kenneth L. Corbet

PUBLIC POLICY STATEMENT

HOUSE COMMITTEE on TAXATION

RE: SB 487 – an act concerning sales tax relating to hunting and fishing.

March 11, 2008
Topeka, Kansas

Testimony provided by:
Brad Harrelson
State Policy Director
KFB Governmental Relations

Chairman Wilk, and members of the House Committee on Taxation, thank you for this opportunity to provide testimony on Senate Bill 487 clarifying the application of sales tax to services provided in the hunting industry. I am Brad Harrelson, State Policy Director for Kansas Farm Bureau. We appear today in support of SB 487.

KFB is concerned about and disagrees with the Department of Revenue's recent interpretation that sales tax should be remitted by business and individuals providing hunting services and property owners who charge access fees for hunting. KFB policy clearly opposes the application of sales tax to services, and further states that sales tax should only be applied at the retail level. Many of our members participate in these endeavors and pay the appropriate income tax on these services. By imposing an additional sales tax the Department is double-taxing these businesses and individuals. Other providers in the State are not required to remit sales tax on services provided. Why should these businesses be singled-out?

We appreciate the Committee's efforts to correct this situation and look forward to resolution of the issue. Thank you for this opportunity to express the position of Kansas Farm Bureau.

Testimony to the House Taxation Committee

David Corbin

March 12, 2008

Department Concerns with Senate Bill 487

Representative Wilk, Chair, and Members of the Committee:

Senate Bill 487 would reverse the Department's interpretation stated in Notice 07-08 (attached) explaining the sales tax imposition in K.S.A. 79-3603(m) on the gross receipts derived from the participation in guided and non-guided hunts, the gross receipts from fees and charges for sporting clays, and the gross receipts for the sale of game birds. If Senate Bill 487 is enacted, such charges will be exempt after the effective date. The bill also exempts fees and charges for participation in fishing expeditions and hunting or fishing leases, although Notice 07-08 provides that the Department does not currently consider charges for hunting or fishing leases to be subject to sales tax.

The Department of Wildlife and Parks reports that for 2006, the following number and types of hunting licenses were issued to non-residents:

644	non-resident combined hunting and fishing
57,944	non-resident hunting
9,986	controlled shooting area
593	48-hour water fowl
2,294	non-resident junior (under 16)

Fees and charges from participation in hunting—particularly from non-residents—is a growing business in Kansas. This exemption will cause further shrinkage of the sales tax base. The Department's fiscal note is attached.

Our neighbor state, Missouri, does impose sales tax on fees for participation in hunting.

Notice

Notice Number: 07-08
Tax Type: Kansas Retailers' Sales Tax
Brief Description: Sales Tax Treatment of Charges for Participation in Guided vs. Non-guided hunting and Retail Sale of Game Birds
Keywords:
Approval Date: 02/04/2008

Body:

KANSAS DEPARTMENT OF REVENUE

February 4, 2008

Revised Notice 07-08

Sales Tax Treatment of Charges for Participation in Guided vs. Non-guided Hunting and Retail Sale of Game Birds

This notice sets forth the Department's guidance on the sales tax treatment of charges for guided and non-guided hunts, and on the retail sale of game birds. To the extent this guidance is inconsistent with prior statements or interpretations issued by the Department, this guidance shall control.

Charges for Participation in Guided vs. Non-guided Hunting

The gross receipts derived from the participation in guided and non-guided hunts, as well as sporting clays are subject to Kansas retailers' sales tax. Kansas law imposes tax on the gross receipts received from the sale of tangible personal property, enumerated services and certain admissions. K.S.A 79-3603(m) imposes sales tax on the gross receipts received from fees and charges by public and private clubs, drinking establishments, organizations and businesses for participation in sports, games and other recreational activities. K.A.R 92-19-22b(a)(1) defines "sports, games, and other recreational activities" as follows:

diversions that restore or refresh strength and spirits by means of pastime, exercise, or similar activities that involve strength, speed, dexterity, stamina, or training. These activities shall include golf, pool, billiards, skating, bowling, swimming, skiing, baseball, softball, basketball, volleyball, racquetball, handball, squash, tennis, carnival rides, motor sports, batting practice, skeet, trap, target shooting, horse riding, pinball, darts, electronic games, physical fitness services, and all other similar activities.

Hunting falls within the category of "sports, games, and other recreational activities," and any fees or other charges for participation in hunting, whether a guide is or is not included, are subject to Kansas sales tax.

The lease or rental of hunting rights to real property is considered a real property interest, and lease or rental payments made pursuant thereto are not subject to sales tax.

Retail Sale of Game Birds

The retail sale of game birds within Kansas is subject to Kansas retailers' sales tax (the seller should collect sales tax on the selling price). Kansas sales tax is also due on the sale of game birds when sold as pets, when sold directly to the consumer who will use them as a food source, and when the purchaser cannot produce a valid Kansas Exemption Certificate.

The seller is not required to collect Kansas sales tax on sale of game birds shipped or delivered by common carrier to point outside of the State of Kansas. The seller should retain for audit purposes shipping documents, such as the bill of lading or invoice showing the shipping address indicating the out-of-state delivery.

If the buyer provides the seller with a Kansas Exemption Certificate indicating that the purchase of game birds is exempt for Kansas retailers' sales tax, then the seller is not required to collect sales tax. Some of the most common exemptions in the game bird industry are:

(1) Kansas Resale Exemption Certificate – This certificate indicates that the seller should not collect the sales tax because the buyer is going to resell the birds and collect sales tax. A prime example would be the purchase of birds by a sport hunting preserve. (See p. 43, Publication KS-1520).

(2) K.S.A. 79-3606(o) exempts all sales of fowl, the primary purpose of which is for use in the production of offspring or food production. A prime example would be the sale of birds to another producer who is going to use them to as breeding stock or, to a slaughter house that is going to process the birds for human consumption.

(3) Exempt Entity – No sales tax is due when birds are sold to an exempt entity such as a school, state of Kansas, federal government. Each of these exempt entities should have an Exemption Certificate issued to them similar to the one found on page 16 of Publication KS-1520.

2008 Senate Bill 487c Fiscal Note

Amended by Senate Committee

Brief of Bill

Senate Bill 487, as Amended by Senate Committee, amends K.S.A 79-3603 to include sales tax fees and charges for participation in guided and non-guided hunts, fees and charges for sporting clays and fees and charges that would be exempt from sales tax. It also amends K.S.A 79-3606 to add an exemption for sales of game birds the primary purpose of which is use in hunting. As amended by Senate Committee, the exemption is expanded to include fishing expeditions and excursions, clay shooting sports and hunting or fishing leases.

The Act would be effective July 1, 2008.

Fiscal Impact

The loss of state sales tax revenue in fiscal year 2009 is estimated at \$500,000. Loss to the state general fund would be \$438,500 and \$61,500 to the highway fund. Local sales tax lost is estimated at \$125,000.

The 2006 National Survey of Fishing, Hunting and Wildlife Associated Recreation as published by the U.S. Fish & Wildlife Service provides expenditure data on hunting and fishing in Kansas. Total expenditures for hunting were \$245.4 million and \$245.3 M for fishing, which includes food and lodging, transportation, equipment, auxiliary, other trip costs and other items costs. The "other trip" expenditures amounted to \$10 million for hunting and \$32.4 million for fishing and of that, the amounts expended on guide fees, pack trip or package fees make up 94% (\$9.4 M) for hunting and 10% (3.2 M) for fishing. The loss of state sales tax from these fees and charges would be \$668,000 annually. With the fee and charges for participation in shooting sporting clays and game bird sales exempt, the total fiscal impact is estimated at \$818,000. However, the department has recently issued a notice stating that the leasing of hunting rights (and fishing rights) on private property by individuals are not subject to sales tax. This is estimated to make up approximately one-third of the total costs and would lower the fiscal impact of this proposal to \$500,000 in fiscal year 2009.

Fiscal Year	Total	SGF	Hwy	Local
2009	\$500,000	\$438,500	\$61,500	\$125,000
2010	\$510,000	\$447,270	\$62,730	\$127,500
2011	\$520,200	\$456,215	\$63,985	\$130,050
2012	\$530,604	\$465,340	\$65,264	\$132,651
2013	\$541,216	\$474,647	\$66,570	\$135,304

Administrative Impact

Sales tax publications would require revision at a cost of \$26,300.

Administrative Problems and Comments


The proposal would exempt fees and charges for participation in guided and non-guided hunts and fishing trips. Other fees that may be associated with a hunt such as meals, lodging, equipment rental, and transportation charges would continue to be subject to sales tax. The department would require invoices to separately list fees and charges for the hunts separate from other taxable charges in order for the fees and charges for the guided or non-guided hunts to be exempt from tax.

Taxpayer/Customer Impact

Hunters and fishing persons would not longer be required to pay sales tax on guided and non-guided hunts or the shooting of sporting clays. Sellers of game birds would no longer be required to collect sales tax on their sales.

Legal Impact

FISCAL FOCUS

Budget and Tax Policy in  Perspective

April Holman
WRITTEN TESTIMONY ONLY
Senate Bill 487
House Taxation Committee
March 11, 2008

KAC is a not-for-profit child advocacy organization that has been in existence since 1979. KAC promotes policies that aid family economic stability because instability creates stress and the potential for harm to children through less consistent medical care, fewer opportunities for early learning and the potential for lower performance in school.

Our opposition to Senate Bill 487 is not specific to guided and non-guided hunting services, but is instead a reflection of our general concern about the erosion of the sales tax base. The sales tax is a key source of revenue to the State General Fund (SGF), which is in turn a key source of funding for state government and for programs and services vital to children and families. The number of sales tax exemptions in Kansas has more than doubled in the past 15 years, resulting in a significant reduction in possible SGF revenues.

We believe that instead of adopting more exemptions to the sales tax, a comprehensive modernization of the Kansas tax system is needed. Recent reports from the Kansas Department of Revenue show that Kansas taxes disproportionately impact the poor and that both the sales tax and property tax bases have been eroded significantly in recent years. This has resulted in tax shifts as well as revenue shortfalls and the need in some years to increase tax rates. In order to address these issues as well as the changing nature of the Kansas economy, we believe that a comprehensive plan should be created for modernizing Kansas taxes. If we can update and improve the efficiency of our tax system the need for exemptions will not longer be an issue. To this end, we respectfully oppose the passage of additional sales tax exemptions and request that the committee consider a broader solution to problems with the Kansas tax system.

Paul Babcock
RR 1, Box 4d
Hoxie, KS 67740

March 7, 2008

Chairman, House Taxation Committee
Honorable House Rep., Kenny Wilk
Kansas State Capital, Room 242W
Topeka, KS 66612

Please enter this document as testimony during the hearing of SB 487 scheduled for
March 11, 2008

This document of testimony is respectfully presented for hearing in opposition to SB 487.

I oppose SB 487 as it defeats the intended purpose of promoting outdoor recreational
tourism, a means of generating revenue needed to meet future budget needs.

The persons, myself included, who participate in the activities that this bill is intended to
exempt sales tax liability from, will not refuse to engage in such activities because of the
amount of tax that is added to the cost. These activities are our hobbies, competitive and
recreational events and cost is not a primary deterrent that would prevent participation.

It seems unreasonable to exempt businesses that provide recreational or entertainment
activities from collecting sales tax while persons who struggle to pay for necessities;
groceries, medications, energy , etc., remain obligated instead. I would suspect that those
who are requesting the exemption may also neglect to pay income tax on the sizeable cost
of my recreational activities throughout the year.

In all fairness as well as practicality, both the sales tax and consequent income tax
applicable to recreational and entertainment spending should be collected at a higher
percent because they are not necessities and those who participate are burdened by the
additional of any applicable additional cost.

I have read of the potential revenue that would be lost if SB 487 is made into law. If
indeed, there is great concern for sources of revenue to meet future budget needs, then it
seems quite illogical if not irresponsible to turn away any significant income source.

Respectfully submitted,



Paul Babcock



Since 1894

TESTIMONY

To: The House Committee on Taxation
Rep. Kenny Wilk, Chairperson

From: Mike Beam, Sr. Vice President

Date: March 11, 2008

Subject: **Senate Bill 510** -An act concerning property tax exemptions;
certain farm machinery and equipment.

The Kansas Livestock Association (KLA), formed in 1894, is a trade association representing approximately 6,000 members on legislative and regulatory issues. KLA members are involved in many aspects of the livestock industry, including seed stock, cow-calf and stocker production, cattle feeding, grazing land management and diversified farming operations.

The Kansas Livestock (KLA) is a proponent of SB 510 and we appreciate the opportunity to provide comments in support of this legislation.

As the committee already knows, the agricultural industry is a vital part of the Kansas economy. Ensuring that Kansas has favorable tax treatment is extremely important to ensure that Kansas continues to be a leading state in terms of the agricultural economy. Therefore, KLA supports the passage of SB 510.

The need for SB 510 arose due to the need to have consistent application of what was perceived to be the existing property tax treatment for truck beds and feed boxes. Current law states that farm machinery and equipment is currently exempt from property tax in Kansas. However, the Board of Tax Appeals (BOTA) has treated truck beds and feed boxes used for agricultural purposes inconsistently in the past. While it is true that motor vehicles used for agricultural purposes are not exempt from personal property tax, it has always been perceived that a truck bed or feed box that is attached to the motor vehicle should be exempt if it is used for farming or ranching purposes.

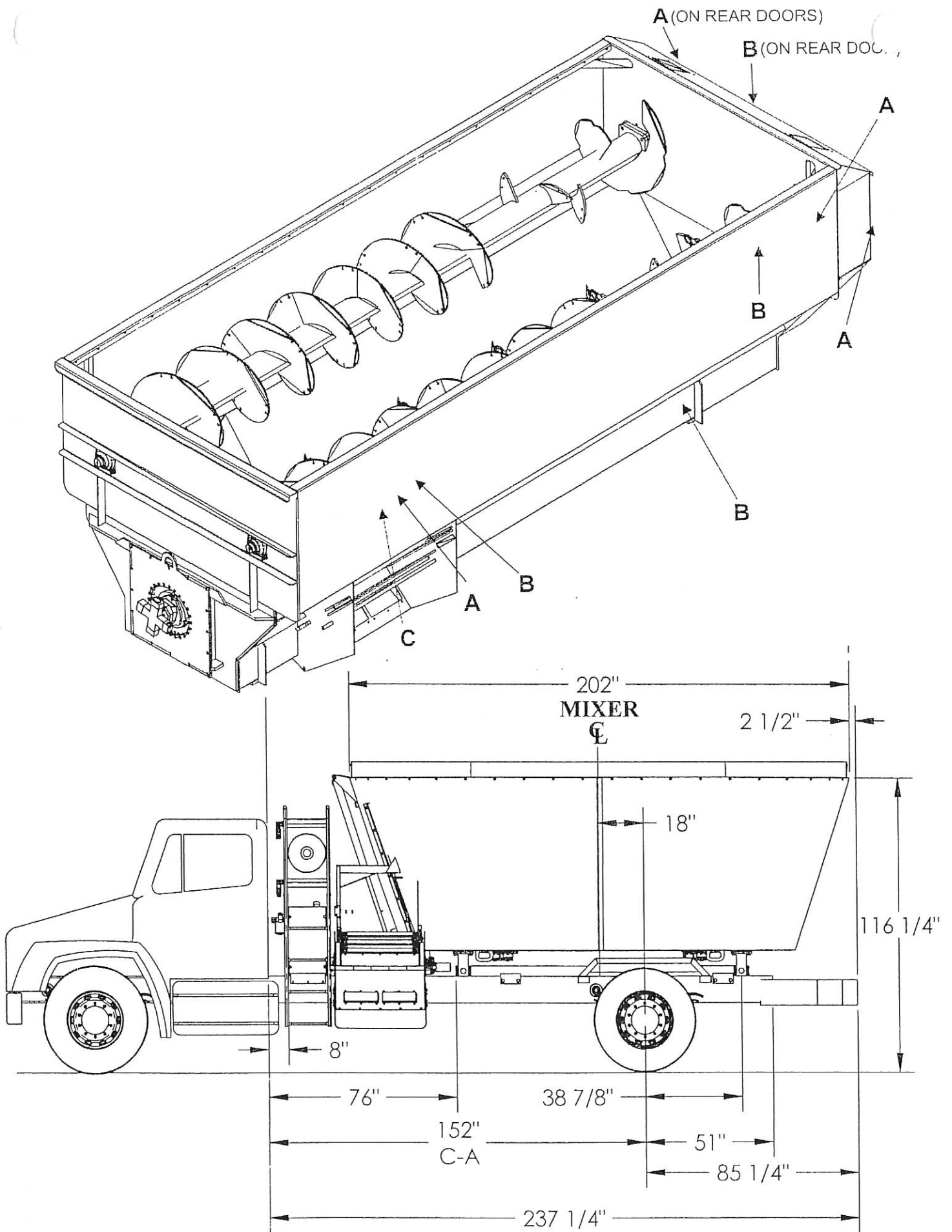
This issue was brought to our attention recently when a KLA member called and said that the county appraiser in their county was charging personal property tax for the feed box on a feed truck. After contacting the county attorney, KLA was able to track down the BOTA ruling that the appraiser was relying upon to justify the tax treatment. The BOTA ruling that stated that the truck bed/feed box was not an exempt piece of personal

HS Taxation
3-11-08
Attachment 8

property was from 1997. After further research, a BOTA ruling from 1995 had reached the exact opposite conclusion. This ruling stated that the truck bed or feed box was exempt from personal property tax as farm machinery and equipment.

A quick survey of members across the state showed us that most counties do not apply personal property tax for truck beds and feed boxes. Therefore, we felt that a statutory clarification should be made to make it clear that the policy of this state supports the exemption for truck beds and feed boxes used in farming and ranching operations. It is our belief that the amendment proposed in SB 510 will help clarify what has always been the intent of the existing statute.

Thank you, and I will stand for questions at the appropriate time.



All Dimensions and Specifications are Approximate and Subject to Change Without Notice.

PUBLIC POLICY STATEMENT

HOUSE COMMITTEE on TAXATION

RE: SB 510 – an act concerning property taxation; relating to exemptions for certain farm machinery and equipment.

March 11, 2008
Topeka, Kansas

Testimony provided by:
Brad Harrelson
State Policy Director
KFB Governmental Relations

Chairman Wilk, and members of the House Committee on Taxation, thank you for the opportunity to appear before you today. I am Brad Harrelson, State Policy Director—Governmental Relations for Kansas Farm Bureau. KFB is the state's largest general farm organization representing more than 40,000 farm and ranch families through our 105 county Farm Bureau Associations.

Kansas Farm Bureau supports SB 510 and statutory clarification that property tax should not be applied to certain feed boxes or vehicle beds that are regularly used in farming or ranching operations. Clearly, the type of equipment referenced in SB 510 meets the intent of existing statute. This technical amendment to existing law will provide needed guidance to counties that are inconsistently interpreting and applying the law.

In conclusion, Kansas Farm Bureau respectfully urges your recommendation to pass favorably SB 510. Thank you, once again, for the opportunity to appear before you and share the policy of our members. KFB stands ready to assist as you consider this important measure. Thank you.