

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 9:00 a.m. on February 11, 2009, in Room 535-N of the Capitol.

All members were present except Representative Rardin, who was excused.

Committee staff present:

Gordon Self, Office of the Revisor of Statutes  
Scott Wells, Office of the Revisor of Statutes  
Hank Avila, Kansas Legislative Research Department  
Chris Courtwright, Kansas Legislative Research Department  
Kathy Beavers, Committee Assistant

Conferees appearing before the committee:

Representative Pat George  
Richard Cram, Kansas Department of Revenue  
Randall Allen, Kansas Association of Counties  
April Holman, Kansas Action for Children  
Robert Waller, Executive Director, Kansas Board of Emergency Medical Services  
Mark Desetti, Kansas National Education Association (Written testimony only)

Others attending:

See attached list.

Bill Introductions:

Representative McCray-Miller made a motion to introduce two bills. They are:

- sales tax exemption for Mid-America Minority Development Council
- a bill that deals with financial literacy

The motion was seconded by Representative Menghini. The motion carried.

**HB 2176 - Sales tax exemption for Stephanie Waterman Tennis Foundation.**

Chairman Carlson opened the hearing on **HB 2176**.

Chris Courtwright Kansas Legislative Research Department, briefed the committee on **HB 2176**.

Randall Allen, Kansas Association of Counties, testified in opposition to **HB 2176** (Attachment 1). Mr. Allen stated that he would like to see a moratorium on sales tax exemptions. New exemptions shift the burden of financing services to an increasing narrow tax base. He stood for questions.

April Holman, Kansas Action for Children testified in opposition to **HB 2176** (Attachment 2). In her testimony she stated that the Kansas tax structure is not keeping pace with the cost of public infrastructure. The accumulative loss of revenue from sales tax exemptions will result in significant losses over time and will erode the sales tax base.

Richard Cram, Kansas Department of Revenue testified in opposition to **HB 2176** (Attachment 3).

The Chairman called attention to the written testimony of Mark Desetti, Kansas National Education Association (KNEA). Kansas National Education Association is neutral on the passage of **HB 2176** (Attachment 4).

The Chairman closed the hearing on **HB 2176**.

**HB 2189 - Sales tax exemption for Golden Belt Community Concert Association.**

The Chairman opened the hearing on **HB 2189**.

Chris Courtwright Kansas Legislative Research Department, briefed the committee on **HB 2189**.

CONTINUATION SHEET

Minutes of the House Taxation Committee at 9:00 a.m. on February 11, 2009, in Room 535-N of the Capitol.

Randall Allen, Kansas Association of Counties testified in opposition to HB 2189 (See Attachment 1).

April Holman, Kansas Action for Children testified in opposition to HB 2189 (See Attachment 2).

Richard Cram, Kansas Department of Revenue testified in opposition to HB 2189 (See Attachment 3).

The Chairman called attention to the written testimony of Mark Desetti, Kansas National Education Association (KNEA). Kansas National Education Association is neutral on the passage of HB 2189 (See Attachment 4).

Chairman Carlson closed the hearing on HB 2189 and opened the hearing on HB 2190.

**HB 2190 - Sales tax exemption for Steve King Foundation.**

Chris Courtwright Kansas Legislative Research Department, briefed the committee on HB 2190.

Representative Pat George (Attachment 5) and Representative Larry Powell testified in support of HB 2190. The purpose of the Steve King Foundation is to provide funds for families of injured racers and to racing facilities to improve safety measures. They stood for questions.

Randall Allen, Kansas Association of Counties testified in opposition to HB 2190 (See Attachment 1).

April Holman, Kansas Action for Children testified in opposition to HB 2190 (See Attachment 2).

Richard Cram, Kansas Department of Revenue testified in opposition to HB 2190 (See Attachment 3).

The Chairman called attention to the written testimony of Mark Desetti, Kansas National Education Association (KNEA). Kansas National Education Association is neutral on the passage of HB 2190 (See Attachment 4).

Chairman Carlson closed the hearing on HB 2190 and opened the hearing on HB 2191.

**HB 2191 - Income tax credit for certain services by volunteer firefighters or volunteer EMS providers.**

Chris Courtwright Kansas Legislative Research Department, briefed the committee on HB 2191.

Robert Waller, Executive Director, Kansas Board of Emergency Medical Services, testified in support of HB 2191 (Attachment 6). Mr. Waller stated that the passage of HB 2191 would help provide EMS personnel with the financial recognition they deserve and would be a helpful incentive in recruitment.

Richard Cram, Kansas Department of Revenue testified in opposition to HB 2191 (Attachment 7). Mr. Cram stated in his testimony that the Department of Revenue cautions the unintended consequences of treading down the path toward giving tax credits for volunteered time. If a precedent is established, requests for similar tax credits will follow. Compensation with non-taxable transfer payment seems inconsistent with the idea of voluntary service

Richard Cram stated passage of HB 2191 could reduce fiscal year 2010 State General Fund revenues by \$1.0 million.

Chairman Carlson closed the hearing on HB 2191.

Representative Goyle introduced pages for the day. They are Michelle Prater, Katie Dacey and Brett Van Arsdale.

The next meeting is scheduled for February 12, 2009. The meeting was adjourned at 10:30 a.m.



Testimony concerning HB 2176, 2189, 2190  
Sales Tax Exemptions  
House Taxation Committee  
February 11, 2009  
Presented by Randall Allen, Executive Director  
Kansas Association of Counties

Chairman Carlson and members of the Committee, thank you for the opportunity to present testimony concerning House Bills 2176, 2189, and 2190, all granting sales tax exemptions. Our association has no quarrel with or objection to the programs and activities of the foundations and associations named in the three sales tax exemption measures. However, our legislative policy statement, adopted unanimously by member counties at our annual conference last November, states as follows:

***Tax Base Exemptions.*** *We oppose any further exemptions to the ad valorem property tax base or the state/local sales tax base. New exemptions only shift the burden of financing vital services to an increasingly narrow tax base.*

As such, we oppose all three bills, as proposed, because they serve to further narrow the sales tax base and erode ability for the State and local governments to finance basic services.

In December, 2006, Dr. John Wong of the Hugo Wall School of Urban and Public Affairs at Wichita State University submitted a report to the Kansas Department of Revenue and the Kansas Advisory Council on Intergovernmental Relations in which he documented the erosion of Kansas' sales and use tax base. In the report, Professor Wong stated:

"One important reason for the erosion of the Kansas sales and use tax base is the passage of a large number of statutory exclusions and exemptions to the tax. Since 1937 there have been 71 original exemptions and exclusions from the sales and use tax, 53 expansions in exemptions or exclusions, 20 restrictions in exemptions and exclusions, and 62 other changes in the sales and use tax statutes, for a total of 206 legislative enactment or changes in the Kansas sales and use tax statutes.... ***In 1938, the total value of exclusions and exemptions was \$2.4 million. By 2005, this had mushroomed to \$3,637.6 million. The value of the exclusions and exemptions is nearly twice the size of the actual sales and use tax collections in 2005 of \$1,892.4 million.*** The largest increases in exemptions and exclusions in the sales and use tax base occurred during the early 1970s and the early 1990s."

The "Golden Rule" of taxation is to apply the lowest possible tax rate to the widest possible tax base, so that all share in the cost of public services. More exemptions to the sales tax base are contrary to the "golden rule" and only shift the cost of essential services to the remaining tax base. We urge the committee to stop erosion of the sales tax base and take no action on these bills. Thank you.


The Kansas Association of Counties, an instrumentality of member counties under K.S.A. 19-2690, provides legislative representation, educational and technical services and a wide range of informational services to its member counties. Inquiries concerning this testimony should be directed to Randall Allen or Melissa Wangemann by calling (785) 272-2585.

**Estimated Effect of Tax Reductions and Increases  
Enacted since 1995  
Dollars are in Millions**

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
<b>Property Taxes:</b>											
Car Tax Reductions	--	\$ 26.7	\$ 68.9	\$ 95.5	\$ 96.6	\$ 104.9	\$ 106.5	\$ 108.1	\$ 109.6	\$ 111.8	\$ 114.0
General Property Tax Reduction	--	--	\$ -	\$ 115.6	\$ 267.5	\$ 326.2	\$ 338.9	\$ 362.3	\$ 378.4	\$ 393.5	\$ 409.3
Property Tax Subtotal \$	--	\$ 26.7	\$ 68.9	\$ 211.1	\$ 364.1	\$ 431.1	\$ 445.4	\$ 470.4	\$ 488.0	\$ 505.3	\$ 523.3
<b>Income Taxes:</b>											
Income Tax Subtotal \$	--	\$ --	\$ --	\$ 19.1	\$ 152.3	\$ 158.1	\$ 166.8	\$ 169.6	\$ 194.2	\$ 201.0	\$ 206.9
Replace Inheritance Tax with Estate Tax	--	--	--	--	\$ 30.5	\$ 63.3	\$ 66.4	\$ 69.7	\$ 73.2	\$ 76.9	\$ 80.7
<b>Sales Tax Exemptions for:</b>											
Sales Tax Subtotal \$	2.1	\$ 31.9	\$ 33.4	\$ 35.0	\$ 60.4	\$ 66.8	\$ 73.0	\$ 73.8	\$ 75.8	\$ 77.9	\$ 80.0
<b>Severance Taxes:</b>											
Production Exemptions	--	--	--	\$ -	\$ 2.7	\$ 4.6	\$ 4.6	\$ 4.6	\$ 4.6	\$ 4.6	\$ 4.6
Insurance Premiums Taxes	--	--	--	\$ 1.5	\$ 21.6	\$ 26.6	\$ 28.6	\$ 24.1	\$ 19.6	\$ 15.0	\$ 12.0
Privilege Taxes					\$ 8.4	\$ 8.8	\$ 9.2	\$ 9.7	\$ 10.2	\$ 10.6	\$ 11.0
Total Tax Reductions	\$ 99.5	\$ 162.4	\$ 213.0	\$ 386.5	\$ 764.2	\$ 759.3	\$ 794.0	\$ 821.9	\$ 865.6	\$ 891.3	\$ 918.6
Cumulative Reductions	\$ 99.5	\$ 261.9	\$ 474.9	\$ 861.4	\$ 1,625.6	\$ 2,384.9	\$ 3,178.8	\$ 4,000.7	\$ 4,866.4	\$ 5,757.6	\$ 6,676.2
<b>Tax Increases</b>											
Cumulative Increases								\$ 252.0	\$ 295.0	\$ 304.0	
								\$ 252.0	\$ 547.0	\$ 851.0	
<b>Net Tax Reductions</b>	<b>\$ 99.5</b>	<b>\$ 162.4</b>	<b>\$ 213.0</b>	<b>\$ 386.5</b>	<b>\$ 764.2</b>	<b>\$ 759.3</b>	<b>\$ 794.0</b>	<b>\$ 821.9</b>	<b>\$ 613.6</b>	<b>\$ 596.3</b>	<b>\$ 614.6</b>
<b>Cumulative Net Tax Reductions</b>	<b>\$ 99.5</b>	<b>\$ 261.9</b>	<b>\$ 474.9</b>	<b>\$ 861.4</b>	<b>\$ 1,625.6</b>	<b>\$ 2,384.9</b>	<b>\$ 3,178.8</b>	<b>\$ 4,000.7</b>	<b>\$ 4,614.4</b>	<b>\$ 5,210.6</b>	<b>\$ 5,825.2</b>

Source : Kansas Department of Revenue

## FISCAL FOCUS

Budget and Tax Policy in  Perspective

April Holman  
Combined Testimony - House Bills 2176, 2189, 2190  
House Taxation Committee  
February 11, 2009

Good morning, Chairman Carlson and members of the Committee. On behalf of Kansas Action for Children (KAC) I would like to thank you for this opportunity to testify in opposition to House Bills 2176, 2189, and 2190.

KAC is a not-for-profit child advocacy organization founded in 1979. For more than 30 years, KAC has worked with lawmakers on policy solutions that improve the lives of Kansas children and their families.

Our opposition to House Bills 2176, 2189, and 2190 is not specific to the charitable organizations requesting a sales tax exemption in these bills, 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.

In fact, the budget shortfall that we face in Kansas is not entirely a function of a struggling economy. We know that our state's current tax structure is no longer keeping pace with public infrastructure costs. Although major components of the Kansas tax structure have been in place for quite some time, the strength of our tax policy has eroded little by little through legislative action each year. In the past four years alone, tax cuts including the elimination of the estate tax and the franchise tax and the passage of several sales tax exemptions has resulted in a State General Fund revenue reduction of almost \$150 million in this fiscal year alone. This cut in the tax base grows to \$180 million dollars in fiscal year 2010.

While the fiscal note on these bills may not represent a large loss of revenues in the first year, the continued erosion of the sales tax base is significant. Sales tax exemptions add up to billions of dollars of lost revenue to the state each year and even these relatively small proposed exemptions will result in significant losses over time. In light of the very serious budget gap that we face in Kansas this year and because further erosion of the sales tax base would only contribute to structural problems with the Kansas tax system, we urge your opposition of House Bills 2176, 2189, and 2190.

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Testimony to the House Taxation Committee

Richard Cram

February 11, 2009

**Department Concerns with House Bills 2176, 2189, and 2190**

Representative Carlson, Chair, and Members of the Committee:

House Bill 2176 would provide a sales tax exemption to the Stephanie Waterman Tennis Foundation. House Bill 2189 would provide a sales tax exemption for the Golden Belt Community Concert Association. House Bill 2190 would provide a sales tax exemption for the Steve King Foundation. These are worthwhile organizations, but the Department questions whether they need a State subsidy in the form of a sales tax exemption. The policy of granting exemptions in piece-meal fashion to different non-profit organizations simply because they have asked for one needs to stop.

These proposals will cause further erosion of the sales tax base at a time when this State can ill afford the revenue loss. The Department's fiscal notes for each of these bills are attached. Although the revenue loss per exemption request appears small, granting of these exemptions will generate many more similar requests. The cumulative effect will have a large negative fiscal impact. There are approximately 24,000 non-profit organizations in Kansas, 14,000 of which are currently not exempt from sales tax. If all were granted exemption on both purchases and sales, the fiscal impact would result in foregone state sales tax revenue of an additional \$40.3 million on purchases and \$18 million on sales. We are foregoing approximately \$34 million in state sales tax revenues, due to the current exemptions for certain non-profit organizations (excluding political subdivisions and educational institutions). Foregone local sales tax revenue is about \$7.5 million.

There will no doubt be many more sales tax exemption requests this session. If any are granted (the Department does not recommend that any should be granted), they should be limited to purchases only. Otherwise, the organization may have an artificial competitive advantage or businesses selling the same items and required to collect sales tax. The Department suggests that the following questions be asked about each request, including this one:

1. Is this exemption request so essential that Legislature would be willing to appropriate funds to the organization requesting the exemption in the amount of foregone sales tax revenue each year, if the exemption request were not granted?

2. Does the organization fulfill a function or provide a service that would otherwise fall upon the state or local government to provide?
3. Does the organization's activities alleviate any current burden on state or local government?

Unless the above questions are answered in the affirmative, the exemption request should not be granted. In the current fiscal environment, the wisdom in granting any is questionable.



# 2009 House Bill 2176b Fiscal Note

Introduced as a House Bill

## Brief of Bill

House Bill 2190, as Introduced, amends the sales tax statutes. The proposal would amend K.S.A. 79-3606 to provide an exemption for the Stephanie Waterman Tennis Foundation for the purpose of providing economically disadvantaged children the chance of a better future through tennis, tutoring and mentoring. The exemption would be on all sales of tangible personal property and services purchased by or on behalf of the foundation as well as all sales of any property and services by or on behalf of such organization.

The Act would be effective July 1, 2009.

## Fiscal Impact

No information is currently available on the fiscal impact this proposal would have on state revenues. Attempts to contact the Foundation have been unsuccessful. At this time, based on information learned from Internet searches, it is estimated the proposal would reduce sales tax revenues by \$10,000 in fiscal year 2010. Loss by fund and for future years are listed below.

	Total	SGF	Hwy	Local
2010	\$10,000	\$8,770	\$1,230	\$2,500
2011	\$10,200	\$8,945	\$1,255	\$2,550
2012	\$10,404	\$9,124	\$1,280	\$2,601
2013	\$10,612	\$9,307	\$1,305	\$2,653
2014	\$10,824	\$9,493	\$1,331	\$2,706

## Administrative Impact

The proposal would result in the revision of sales tax publications at a cost of \$26,850.

## Administrative Problems and Comments

While the Stephanie Waterman Tennis Foundation may be deserving, exempting an organization by name creates a disparity among other similarly situated organizations that provide the same service. The Special Committee on Assessment and Taxation during the 2005 interim hearing strongly recommended that the standing tax committees develop criteria similar to those utilized in the early 1970s to help the Legislature evaluate all future requests for sales tax exemptions and did not recommend expanding sales tax exemptions to all 501 (c)(3) entities in the state.

The department respectively suggests the exemption for sales made by or on behalf of the organization be removed from the proposal. The granting of exemption on sales of tangible personal property allows tax free-sales to be made by special interest groups and is considered by many to be bad tax policy. The legislature provides a marketplace advantage to the special groups that harms competing for-profit businesses that collect sales tax. The organization is

acting as an agent for the state when collecting and remitting sales tax on goods sold as it is the consumer paying the tax and not the organization.

Including the phrase "by or on behalf of" for sales made makes the policing of these sales difficult. It opens the potential for individuals and groups to illegally claim exempt sales on behalf of an organization. If the exemption on sales made remains in the proposal, it is recommended it be changed to limit the exemption to only sales made by the specific organization.

The department respectively suggests the "on behalf of" language be removed from the exemption on purchases and project exemption certificate language be inserted. This would be consistent with most sales tax exemptions and provides greater controls on the administration of exempt purchases. With the proposed language, there are no controls to ensure that the purchase being made "on behalf of" the organization are actually being used by the organization.

**Taxpayer/Customer Impact**

Provide an exemption from sales tax for the Stephanie Waterman Tennis Foundation.

**Legal Impact**

# 2009 House Bill 2189b Fiscal Note

Introduced as a House Bill

## Brief of Bill

House Bill 2189, as Introduced, amends the sales tax statutes. The proposal would amend K.S.A. 79-3606 to provide an exemption for the Golden Belt Community Concert Association. The exemption would be on all sales of tangible personal property purchased by the association for the purpose of cultivating an appreciation of music through the presentation of concert performances as well as fostering and encouraging an appreciation of music and the teaching of music in area schools.

The Act would be effective July 1, 2009.

## Fiscal Impact

The proposal would reduce sales tax revenues by \$750 in fiscal year 2010, based on information provided by the association. Loss by fund and for future years are listed below.

	Total	SGF	Hwy	Local
2010	\$750	\$658	\$92	\$188
2011	\$765	\$671	\$94	\$191
2012	\$780	\$684	\$96	\$195
2013	\$796	\$698	\$98	\$199
2014	\$812	\$712	\$100	\$203

## Administrative Impact

The proposal would result in the revision of sales tax publications at a cost of \$26,850.

## Administrative Problems and Comments

While the golden belt community concert association may be deserving, exempting an organization by name creates a disparity among other similarly situated organizations that provide the same service.

The Special Committee on Assessment and Taxation during the 2005 interim hearing strongly recommended that the standing tax committees develop criteria similar to those utilized in the early 1970s to help the Legislature evaluate all future requests for sales tax exemptions and did not recommend expanding sales tax exemptions to all 501 (c)(3) entities in the state.

## Taxpayer/Customer Impact

Provide an exemption from sales tax for the golden belt community concert association .

## Legal Impact

**MEMORANDUM**

**To:** Mr. Duane Goossen, Director  
Division of Budget

**From:** Kansas Department of Revenue

**Date:** 02/05/2009

**Subject:** House Bill 2190  
Introduced as a House Bill

**Brief of Bill**

House Bill 2190, as Introduced, amends the sales tax statutes. The proposal would amend K.S.A. 79-3606 to provide an exemption for the Steve King Foundation for the purpose of providing assistance to dirt track race car drivers, pit crew members, track officials and personnel or their families who are seriously ill, severely injured or killed and obtain and maintain safety equipment or implement safety measures to enhance and improve dirt track racing. The exemption would be on all sales of tangible personal property and services purchased by or on behalf of the foundation as well as all sales of any property and services by or on behalf of such organization.

The Act would be effective July 1, 2009.

**Fiscal Impact**

The proposal would reduce sales tax revenues by \$350 in fiscal year 2010, based on information provided by the foundation. Loss by fund and for future years are listed below.

Fiscal Year	Total	State	Hwy	Local
2010	\$350	\$307	\$43	\$88
2011	\$357	\$313	\$44	\$89
2012	\$364	\$319	\$45	\$91
2013	\$371	\$326	\$46	\$93
2014	\$379	\$332	\$47	\$95

**Administrative Impact**

The proposal would result in the revision of sales tax publications at a cost of \$26,850. This cost will be shared among all other sales tax changes at the end of the legislative session.

### Administrative Problems and Comments

While the Steve King Foundation may be deserving, exempting an organization by name creates a disparity among other similarly situated organizations that provide the same service. The Special Committee on Assessment and Taxation during the 2005 interim hearing strongly recommended that the standing tax committees develop criteria similar to those utilized in the early 1970s to help the Legislature evaluate all future requests for sales tax exemptions and did not recommend expanding sales tax exemptions to all 501 (c)(3) entities in the state.

The department respectively suggests the exemption for sales made by or on behalf of the organization be removed from the proposal. The granting of exemption on sales of tangible personal property allows tax free-sales to be made by special interest groups and is considered by many to be bad tax policy. The legislature provides a marketplace advantage to the special groups that harms competing for-profit businesses that collect sales tax. The organization is acting as an agent for the state when collecting and remitting sales tax on goods sold as it is the consumer paying the tax and not the organization.

Including the phrase "by or on behalf of" for sales made makes the policing of these sales difficult. It opens the potential for individuals and groups to illegally claim exempt sales on behalf of an organization. If the exemption on sales made remains in the proposal, it is recommended it be changed to limit the exemption to only sales made by the specific organization.

The department respectively suggests the "on behalf of" language be removed from the exemption on purchases and project exemption certificate language be inserted. This would be consistent with most sales tax exemptions and provides greater controls on the administration of exempt purchases. With the proposed language, there are no controls to ensure that the purchase being made "on behalf of" the organization are actually being used by the organization.

### Taxpayer/Customer Impact

Provide an exemption from sales tax for the Steve King Foundation.

### Legal Impact

Approved By:



Joan Wagnon  
Secretary of Revenue



**Making public schools great for every child**

KANSAS NATIONAL EDUCATION ASSOCIATION / 715 SW 10TH AVENUE / TOPEKA, KANSAS 66612-1686

**Mark Desetti, Testimony  
House Taxation Committee  
February 11, 2009**

**House Bills 2176, 2189, 2190**

Mister Chairman, members of the committee, thank you for the opportunity to provide testimony to you today sharing our thoughts on these three sales tax exemption proposals.

We are not advocating for either the passage or defeat of these measures. We would like to simply point out what we see as some of the consequences.

Kansas already has an extraordinary number of sales tax exemptions. The statute is now in quadruple letters! In addition, Kansas does not now levy a sales tax on most services and cannot collect sales tax on many internet based purchases.

Each of these bills represents a small exemption. Each of these may be a worthy organization. But with each exemption granted, the state revenue stream is reduced. We have not seen any tax proposals that would offset the loss of revenue that would result from the passage of these or any of the other tax reductions being debated this year.

The tax system is like a balloon. When you squeeze one end of the balloon, the other end expands. If you collect less in sales tax, you have to make up for that loss with other taxes.

As a final note, we continue to believe that the Legislature should make a comprehensive examination of the entire tax system to ensure that our many provisions result in a system that will provide stable funding for all state services and that is fair to both citizens and business. Such a review would include taking a hard look at all sales tax exemptions and exclusions.

*Written Testimony Only*

House Taxation Committee  
2-11-09  
Attachment 4

**PAT GEORGE**

REPRESENTATIVE 119TH DISTRICT  
HOME ADDRESS: 3007 WESTVIEW  
DODGE CITY, KANSAS 67801  
620-227-2012

OFFICE ADDRESS: STATE CAPITOL  
TOPEKA, KANSAS 66612  
785-296-7655



TOPEKA

HOUSE OF  
REPRESENTATIVES

COMMITTEE ASSIGNMENTS

VICE CHAIR: VISION 2020  
MEMBER: ECONOMIC DEVELOPMENT AND  
TOURISM  
TAXATION  
VETERAN, MILITARY AND  
HOMELAND SECURITY

**February 11, 2009**

**To: Chairman Richard Carlson  
Members of the Taxation Committee**

**From: Pat George, 119<sup>th</sup> District State Representative**

**Re: HB 2190-Steve King Foundation**

**Mr. Chairman and Members of the Committee:**

**Thank you for the opportunity to appear before you today in support of HB 2190, sales tax exemption for the Steve King Foundation.**

**The Steve King Foundation was founded as a way the racing community could turn one tragedy into a source of support for others involved in dirt track racing. Steve King, a two-time champion sprint car driver, died of injuries sustained in a sprint car accident in Knoxville, Iowa on August 10, 2006. Because of Steve's notoriety, the King family was overwhelmed with support from across the country. This gracious support turned what started out as a memorial fund into a foundation, after it was learned there was not an organization in place with the purpose of helping persons involved in dirt track racing (drivers, crew members, track officials and their families) who are injured or killed. Nor was there an organization to provide support for racing facilities in securing and maintaining safety equipment that could help reduce injuries or deaths.**

**The Steve King Foundation works to gather funds throughout the year via fund raising events and then disperses the funds to those in need. The Foundation provides funds for families of injured racers and to racing facilities to improve safety measures. In 2008, \$50,000 (\$15,000 in KS) was distributed. KS sales tax collected on items sold amounted to approximately \$350.**

**Thank you Mr. Chairman and members of the Committee for your time and attention today. I will stand for questions.**





# KANSAS

DENNIS ALLIN, M.D., CHAIR  
ROBERT WALLER, EXECUTIVE DIRECTOR

KATHLEEN SEBELIUS, GOVERNOR

BOARD OF EMERGENCY MEDICAL SERVICES

## Testimony

**Date:** February 11, 2009  
**To:** House Committee on Taxation  
**From:** Robert Waller, Executive Director  
**RE:** House Bill 2191

Chairman Carlson and members of the House Taxation Committee thank you for the opportunity to provide testimony on the House Bill 2191. My name is Robert Waller. I am the Executive Director for the Kansas Board of Emergency Medical Services (KBEMS).

Kansas, not unlike many other states, is faced with a severe shortage of EMS personnel. In particular, the ability to recruit and retain. Rural Kansas communities especially face these issues as the number of volunteers dwindles. A large portion of our State, rural EMS, is made up of volunteers. Volunteer attendants are the backbone of many rural EMS programs but their numbers are declining and it is especially difficult to staff day time shifts due to employment obligations. This is due to a number of factors, two being the inability of individuals to acquire time off from their full-time employer to volunteer, and an overall reduction nationwide in the number of individuals that volunteer their time and service. The current number of volunteers are getting older, and thus starting to retire from service. However, younger Americans are either not volunteering to the level that the previous generation provided, or realize that to make a career of EMS they will eventually have to move to the urban or more populated areas of the state. All of these factors, and others contribute to a shortage of certified attendants, slows ambulance response times, puts a strain, both physically and mentally, on ambulance crews and their families, and lengthens the time it takes for those in need to get assistance. Low pay and 24 hour coverage are key factors that make it difficult to hire and retain certified EMS attendants.

Currently, the number of EMS attendants in the state, as of February 9, 2008, total 10,388. Of that amount, the total number who are active attendants is 7,762. The table below provides a break down of their employment status.

<u>Employment Status</u>	<u>Number of Attendants</u>	<u>% of Total Active</u>
Volunteers	2,690	34.7
Full-Time	4,249	54.7
Part-Time	823	10.6

House Taxation Committee  
2-11-09  
Attachment 6

HB 2191, not only provides a financial incentive for EMS personnel, but also provides a recognition for EMS services attempting to recruit additional personnel. The passage of this bill would go a long way to demonstrate support and acknowledgement from the State.

Amendment:

Section 1 (d)(1), Line 32, strike all in line 32 after "provider" and strike all in lines 33 and 34, add the verbiage "means an attendant as defined by KSA 65-6112 and amendments thereto".

Conclusion

Simply, members of the Committee, the passage of HB 2191 provides EMS personnel, rural and urban, with a level of financial recognition they deserve. The passage of the bill along with the Education Incentive Grant currently provided by KBEMS to attendants who volunteer their time for 1 to 2 years in exchange for funding to pay for their initial education course, aid in increasing the number of attendants available to EMS services. These are the folks that get up in the middle of the night to help others when they are in need, and I know I can speak for them in thanking you in advance for this timely legislation.

Thank you for allowing me to testify in support of HB 2191, and I will stand for any questions you may have.

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Testimony to the House Taxation Committee

Richard Cram

February 11, 2009

**Department Concerns with House Bill 2191**

Representative Carlson, Chair, and Members of the Committee:

House Bill 2191 provides for a refundable income tax credit for a volunteer firefighter or volunteer EMS provider.

While this bill is clearly well intended and would recognize people for providing services vital to their communities, the Department cautions the unintended consequences of treading down the path toward giving tax credits for volunteered time. We are not aware of any federal tax credits based on community volunteer time. Once the State establishes such a precedent, requests for similar tax credits will follow: should scout or other youth leaders, crisis hotline counselors, schoolteacher assistants and others receive tax credits for their volunteer time? The notion that the State should compensate community volunteers with non-taxable transfer payments seems inconsistent with the idea of voluntary community service.

This bill could reduce fiscal year 2010 state general fund revenues by \$1.0 million. The credit is capped at \$1.0 million, and we assume these will be allowed on a first-come, first-serve basis, with the credit claims denied beyond that threshold. The Department would need to develop a tracking mechanism to accomplish this.

With each new tax credit, the Department incurs significant administrative expense: development of a new credit schedule; reprogram computer systems to accept and process the data from the new schedule; test and retest the system until errors are resolved. Generally, at least three months of programming resources are required. The estimated administrative cost necessary to implement this bill is \$112,900 in fiscal year 2010. Our fiscal note is attached.

Funding for volunteer firefighter and EMS programs could be more efficiently provided through direct appropriations to the volunteer firefighter and EMS organizations.

## MEMORANDUM

**To:** Mr. Duane Goossen, Director  
Division of Budget

**From:** Kansas Department of Revenue

**Date:** 02/05/2009

**Subject:** House Bill 2191  
Introduced as a House Bill

### **Brief of Bill**

House Bill 2191, as introduced, provides for a refundable income tax credit for a volunteer firefighter or volunteer EMS provider. The credit amount would be \$100 for a volunteer with qualified service of between two and six years, \$200 for a volunteer with qualified service between six and 11 years, and \$300 for a volunteer with qualified service of at least 11 years.

The total amount of the credit is limited to \$1.0 million.

The effective date of this bill is on publication in the statute book for tax years beginning after December 31, 2008.

### **Fiscal Impact**

Passage of this bill could reduce fiscal year 2010 state general fund revenues by \$1.0 million.

The bill limits the total amount of the credit to \$1.0 million. The department assumes that once \$1.0 million in credits have been claimed the credit will no longer be allowed.

### **Administrative Impact**

The estimated costs necessary to implement this bill are \$112,900 in fiscal year 2010. Those costs include about \$86,400, or 960 hours, of contract APA programming time. The estimated user testing resources necessary to implement the bill are \$26,500, or 920 hours, for testing the new programs.

### **Administrative Problems and Comments**

Neither Kansas nor the Federal government has used its tax code to give credits for volunteer activities. The department cautions that should this be granted, other groups of volunteers may

also apply for similar treatment and the fiscal note could expand exponentially because of the significantly large amount of voluntarism in the state.

**Taxpayer/Customer Impact**

**Legal Impact**

Approved By:

A handwritten signature in cursive script that reads "Joan Wagnon". The signature is written in black ink and is positioned below the "Approved By:" text.

Joan Wagnon  
Secretary of Revenue