

## MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 9:00 a.m. on February 12, 2009, in Room 535-N of the Capitol.

All members were present.

## 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 Colloton  
Richard Cram, Kansas Department of Revenue  
Kevin Flory, Kansas State Firefighters Association  
Randall Allen, Kansas Association of Counties (Written only)

## Others attending:

See attached list.

Representative Kleeb introduced his intern, Chris Ikenberry, from Butler County Community College.

## Bill Introduction:

Representative Powell made a motion to introduce a bill for a sales tax exemption on behalf of Kansas Hunters Feeding the Hungry. Representative Wolf seconded the motion. The motion carried.

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

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

Representative Colloton testified in support of **HB 2176**, which was heard February 11, 2009 (Attachment 1). The non-profit group provides tennis instruction and school mentoring for children who are participating in inner city federal programs.

Chairman Carlson closed the hearing on **HB 2176** and opened the hearing on **HB 2192**.

**HB 2192 - Sales tax exemptions for Kansas State Firefighters Association.**

Chris Courtwright, Kansas Legislative Research Department, briefed the committee on **HB 2192**.

Kevin Flory, Kansas State Firefighters Association, testified in support of **HB 2192** (Attachment 2). Mr. Flory stated that he was in front of the committee representing 16,000, paid and volunteer, Kansas firefighters. In his testimony he stated that the passage of **HB 2192** would allow their association to continue to provide free quality training to Kansas firefighters.

Richard Cram, Kansas Department of Revenue, testified in opposition to **HB 2192** (Attachment 3). Mr. Cram stated in his testimony that the granting of this exemption will generate many similar requests and will cause further erosion of the sales tax base. The state can ill afford the revenue loss.

Randall Allen, Kansas Association of Counties, submitted written testimony, in opposition to **HB 2192** (Attachment 4). In his written testimony he stated that the since State General Fund budget is in a deficit mode, it seemed incongruous to grant further exemptions to the tax base.

Chairman Carlson closed the hearing on **HB 2192**.

Chairman Carlson announced to the committee bills to be worked today are **HB 2172**, **HB 2079**, **HB 2173**

CONTINUATION SHEET

Minutes of the House Taxation Committee at 9:00 a.m. on February 12, 2009, in Room 535-N of the Capitol.

and **HB 2174**.

**HB 2172 - Permanent exclusion from sales taxation of certain cash rebates on sales or leases of new motor vehicles.**

Representative King made a motion to favorably pass HB 2172. The motion was seconded by Representative Schwartz. The motion carried.

**HB 2079 - Sales tax refund on certain purchasers of telecommunications machinery and equipment.**

A motion was made by Representative Siegfried to favorably pass HB 2079 and seconded by Representative Wolf. Discussion ensued.

A substitute motion was made by Representative Menghini and seconded by Representative Dillmore to table the bill. A vote was taken, 9 in favor and 12 in opposition. The motion failed. Discussion continued.

Back on original motion - Representative Siegfried moved the original motion to favorably pass HB 2079. The Chairman asked a vote be taken. Seventeen members voted in support and four opposed. The motion carried.

**HB 2173 - Income tax credit for certain adoption expenses.**

Chris briefed the committee on **HB 2173**. He stated the fiscal note is \$200,000.

Representative Powell made a motion to pass out favorably HB 2173. The motion was seconded by Representative Kleeb. Discussion ensued

A substitute motion to table HB 2173 was made by Representative Menghini and seconded by Representative Benlon. The Chairman asked for a vote on the substitute motion. Thirteen were in support and nine in opposition. The substitute motion passed to table HB 2173.

**HB 2174 - Exclusion of certain social security benefits from Kansas adjusted gross income for income tax purposes for married couples filing a joint return or separate returns.**

Chris briefed the committee on **HB 2174**. The FY 2010 fiscal note for this bill would be approximately \$10 million.

A motion to table HB 2174 was made by Representative King and seconded by Representative Menghini. The motion carried. Representatives Goico and Powell wanted to record their no vote.

A motion was made by Representative Goico to take HB 2174 off the table. Representative Powell seconded the motion.

After continued discussion, Representative Goico withdrew his motion. Powell withdrew the second. The motion to table HB 2174 stands.

Representative Goico requested a bill introduction relating to deduction of social security benefits as a modification of HB 2174. The motion was seconded by Representative Goyle. The motion carried.

The next meeting is scheduled for February 13, 2009.

The meeting was adjourned at 10:15a.m.



STATE OF KANSAS  
HOUSE OF REPRESENTATIVES



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February 11, 2009

Chairman Richard Carlson  
Taxation Committee  
Kansas House of Representative

Re: HB 2176

Chairman Carlson and Committee Members:

Thank you for the opportunity to appear in support of HB 2176. The bill provides for a tax exemption on sales and purchases made by the Stephanie Waterman Tennis Foundation. This nonprofit group provides tennis instruction and school mentoring for children who are participating in inner city federal programs such as Operation Breakthrough. This organization provides professional tennis instruction, USTA membership and coordinates tutoring and mentoring with high school volunteers for about 175 students annually. The program has grown each year since its inception in 1987 and raises all fund privately its activities. It is a federal 501(c)(3).

I respectfully request that the committee recommend HB 2176 favorably for passage.

Sincerely,

*Pat Colloton*

Pat Colloton

## LEGISLATION ON SB 2192

Members of the Committee:

My name is Kevin Flory. I am the Northeast Trustee of the Kansas State Firefighters Association which represents approximately 16,000 firefighters in the State of Kansas, both paid and volunteer. Our association provides free training to firefighters and has for several decades. For example just this last weekend we had 130 firefighters at Conway Springs. A month ago we had a school in Colby and every month we provide this training on a regional basis somewhere in Kansas. This training is provided with funds from the Insurance Commissioner's Office. Our goal is to have well-trained firefighters which equals safe firefighters. The overwhelming majority of the funds that we use to provide this training are tax generated funds. Our association has for many years paid sales tax on its purchases – using tax dollars to pay tax. We think this is unnecessary. We certainly understand the budget situation that exists in our state this year but would suggest to you that the financial impact of this proposed legislation is but a few dollars a year to the state and local units of government. This is more than offset by the services provided each day by volunteer firefighters. The granting of this sales tax exemption will allow our association to continue to provide quality training for free to the firefighters of Kansas.

Testimony to the House Taxation Committee

Richard Cram

February 12, 2009

**Department Concerns with House Bill 2192**

Representative Carlson, Chair, and Members of the Committee:

House Bill 2192 would provide a sales tax exemption for the Kansas State Firefighters Association. This is a worthwhile organization, but the Department questions whether it needs 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.

This proposal 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 note is attached. Although the revenue loss per this exemption request appears small, granting it 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 2192b 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 Kansas state firefighters association. The exemption would be on all sales of tangible personal property and services purchased by or on behalf of the association.

The Act would be effective July 1, 2009.

## Fiscal Impact

The proposal would reduce sales tax revenues by \$6000 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	\$6,000	\$5,262	\$738	\$1,500
2011	\$6,120	\$5,367	\$753	\$1,530
2012	\$6,242	\$5,475	\$768	\$1,561
2013	\$6,367	\$5,584	\$783	\$1,592
2014	\$6,495	\$5,696	\$799	\$1,624

## 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 Kansas state firefighting 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.

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 Kansas state firefighters association.





**KANSAS**  
ASSOCIATION OF  
**COUNTIES**

Written Testimony concerning HB 2192  
Sales Tax Exemption  
House Taxation Committee  
February 12, 2009  
Submitted by Randall Allen, Executive Director  
Kansas Association of Counties

Chairman Carlson and members of the Committee, thank you for the opportunity to submit testimony concerning House Bill 2192, granting a sales tax exemption for the Kansas state firefighters association. The Kansas Association of Counties has no quarrel with or objection to the programs and activities of the firefighters association named in HB 2192. However, our legislative policy statement, adopted unanimously by member counties at our annual conference last November, addresses this issue 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 this bill because it serves to further narrow the sales tax base and erode the ability of State and local governments to finance basic services. Especially this year, when the State General Fund budget is in a deficit mode, it seems incongruous to grant further exemptions to the tax base.

Accordingly, we urge the committee to hold this bill and not work it this session. Thank you for the opportunity to submit this testimony.

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.

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House Taxation Committee  
2-12-09  
Attachment 4