

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 9:07 a.m. on February 15, 2010, in Room 783 of the Docking State Office Building.

All members were present except:

Representative Tom Hawk- excused

Committee staff present:

Gordon Self, Office of the Revisor of Statutes
Scott Wells, Office of the Revisor of Statutes
Chris Courtwright, Kansas Legislative Research Department
Brandon Riffel, Kansas Legislative Research Department
Marla Morris, Committee Assistant

Conferees appearing before the Committee:

Willis Heck, Member, Kansas Advisory Council for Intergovernmental Relations (KACIR) and Newton City Commission
Tom Bishop, Homestead Affordable Housing, Inc.
Shawn Moten, Current Licensed Bingo Distributor
Stephanie Weiter, American Cancer Society
Sandy Barnett, Kansas Coalition Against Sexual and Domestic Violence
Gary Walker, Hayden High School, PACE Manager
Susan Riley, Kansas Charitable Bingo Association/Emporia Senior Center
Janet Schalansky, Kansas Children's Service League
Charles M. Yunker, American Legion Department of Kansas
Ed Van Petten Kansas Lottery
Kent Eckles, Kansas Chamber of Commerce
Ron Sommers, President, Jetz Service Co., Inc
Travis Maurath, Rental Management Solutions
Robert Meuschke, President, Missouri-Kansas Self Serve Laundry Association
Luke Bell, Kansas Association of Realtors
Katherine Stockbauer, Coinmach Corporation
Bob Vancrum, Greater Kansas City Chamber

Others attending:

See attached list.

There were no bill introductions.

Chairman Carlson opened the continued hearing on:

HB 2549 - Imposition of sales tax on certain goods and services, elimination of certain sales tax exemptions and fund raising sales.

Proponents testifying on **HB 2549**:

Willis Heck, Member of the KACIR and Newton City Commission testified on behalf of the KACIR, in support of repealing sales tax exemptions. His testimony included a chart demonstrating the imbalance in revenue sources resulting from recent reduced spending and increased tax exemptions (Attachment 1). The KACIR recommends a 33 percent balance of revenue sources-property tax, income tax and sales tax is a good tax policy position for the State of Kansas.

Opponents testifying on **HB 2549**:

Tom Bishop, Homestead Affordable Housing, Inc., supports portions of **HB 2549**, but opposes portions pertaining to food and shelter services, and products consumed by the disabled, elderly and low income Kansans (Attachment 2).

CONTINUATION SHEET

Minutes of the House Taxation Committee at 9:07 a.m. on February 15, 2010, in Room 783 of the Docking State Office Building.

Shawn Moten, Current Kansas Licensed Bingo Distributor spoke in opposition to reinstatement of the taxation of gross receipts on charitable bingo as proposed in **HB 2549** (Attachment 3). Mr. Moten testified as part-owner of Capitol Bingo and on behalf of six other non-profit organizations: American Legion Post No. 001 and 400, VFW Post 1650, Desert Conference of Kansas, Euclid Lodge #2, and Great Bend Kids Wrestling Club.

Stephanie Weiter, American Cancer Society asked for continued support of tax exemptions for the American Cancer Society and other non-profit organizations (Attachment 4). She stated the loss of revenue through passage of **HB 2549** would result in even greater budget cuts for the American Cancer Society.

Sandy Barnett, Kansas Coalition Against Sexual and Domestic Violence spoke in opposition to the repeal of sales tax exemption for non-profit organizations (Attachment 5). She asked the Committee to recognize that the sales tax exemption has a direct relationship to good public service provisions and retain the exemption for domestic/sexual violence programs in Kansas.

Gary Walker, Hayden High School, Manager Hayden High School PACE, stated all organizations that have bingo as a fund raiser must be licensed by the State, and must qualify as a non-profit organization (Attachment 6). He testified in opposition to **HB2549** stating bingo supplies are already taxed at a rate of 26 percent.

Susan Riley, Kansas Charitable Bingo Association and Emporia Senior Center, testified in opposition to **HB 2549**. She specifically opposes two items that would have dire consequences if passed by the Committee: 1) The gross receipts received from the sale of bingo cards, bingo faces and instant bingo tickets by licensees. 2) Isolated or Occasional Sale (Attachment 7).

Janet Schalansky, Kansas Children's Service League, testified in opposition to **HB 2549** and proposed an amendment establishing a class exemption for organizations that derive most of their funding from public sources (Attachment 8).

Charles M. Yunker, American Legion Department of Kansas, testified in opposition to **HB 2549**, expressing concerns the increased cost of membership will drive members away from an organization they feel a kinship with (Attachment 9).

This ends the testimony from proponents and opponents originally scheduled for February 11, 2010 and February 12, 2010 and begins the portion of **HB 2549** dedicated to the categories listed below:

- Eliminating certain consumer exemptions, K.S.A. 79-3602(ii), 79-3603(b), (f), (o), (v), 79-3606 (x), (ee), (ooo) and (rrr)
- Eliminate exemption on labor services for residential repair work, K.S.A. 79-3603(p)
- Clarify law of maintenance services that are taxable and include janitorial cleaning services for commercial property, K.S.A. 79-3603(q)

Staff Gordon Self, Office of the Revisor of Statutes gave a brief summary of the scheduled portion of **HB 2549**. Revisor Self referred to a handout the Committee received identifying these exemptions: 1) certain consumer exemptions; 2) exemptions on labor services for residential repair work; 3) clarify law of maintenance services that are taxable and include janitorial cleaning services for commercial property; 4) Eliminating exemption on residential utilities and local exemptions on water for residential use (Attachment 10). He stood for questions.

Opponents testifying on **HB 2549**:

Ed Van Petten, Director, Kansas Lottery opposes the elimination of the exemption of lottery ticket sales from the assessment of sales tax (Attachment 11). Mr. Van Petten stated the lottery currently pays approximately 28 percent of sales to the State Gaming Fund, reinstatement of the state sales tax would create an effective tax rate of over 35 percent on lottery ticket sales.

Kent Eckles, Kansas Chamber of Commerce, is opposed to the portion of **HB 2549** which would repeal sales

CONTINUATION SHEET

Minutes of the House Taxation Committee at 9:07 a.m. on February 15, 2010, in Room 783 of the Docking State Office Building.

tax exemption on services to repair, service, alter or maintain tangible personal property built into facilities or buildings (Attachment 12). Mr. Eckles, on behalf of the Kansas Chamber of Commerce, urges the Committee to amend that portion out of **HB 2549**.

Ron Sommers, Jetz Service Company, Inc., opposes **HB 2549**. Mr. Sommers stated the price increase resulting from the repeal of this tax exemption, when passed to the consumer, will place an additional financial burden during these difficult financial times (Attachment 13).

Travis Maurath, Rental Management Solutions feels the repeal of this tax is a tax on the residents who cannot afford to purchase a home and must rely on affordable rental property for housing (Attachment 14). More affordable rental properties offer coin operated laundry facilities, rather than the more costly rentals that offer laundry facilities in each unit. He opposes **HB 2549**.

Robert Meuschke, President, Missouri-Kansas Self Serve Laundry Association asked the committee to not allow repeal of the existing tax exemption on coin operated laundries (Attachment 15). He feels the cost of this repeal falls on the lower income Kansans.

Luke Bell, Kansas Association of Realtors opposes the provisions of **HB 2549** as it is currently written. The Kansas Association of Realtors believes homeowners will face an increased tax burden over then next few years that will cause a large amount of economic hardship to the overall Kansas economy (Attachment 16).

Katherine Stockbauer, Coinmach Corporation opposes **HB 2549**. Coinmach Corporation provides coin-operated laundry equipment for low-income housing, students and senior citizens. Ms. Stockbauer stated the cost resulting from the repeal of tax exemptions would be passed directly to many low-income citizens (Attachment 17).

Bob Vancrum, Greater Kansas City Chamber of Commerce, opposes portions of **HB 2549** pertaining to the removal of tax exemptions found in portions of K.S.A. 79-3603 (p) and (q), (Attachment 18).

Chairman Carlson directed the Committee to the written only testimony in opposition to **HB 2549**:

John Donley, Kansas Livestock Association, (Attachment 19); Joe Otto, Otto-matic Laundry, Overland Park (Attachment 20); Keith Collins, Prestige Laundry, Garden City (Attachment 21); Tom Cooney, Highland Residential Management (Attachment 22); Phil Perry, Home Builders Association of Greater Kansas City (Attachment 23); Chris Wilson, Kansas Building Industry Association (Attachment 24). Jim Cochran, Non-profit Bingo Groups, Sedgewick County (Attachment 25)

Secretary Wagon, Kansas Lottery Director Ed Van Petten, Willis Heck, Bob Vancrum, and Janet Schalansky stood for questions.

Chairman Carlson closed the continued hearing on **HB 2549**.

The next meeting is scheduled for February 16, 2010.

The meeting was adjourned at 10:37 a.m.

HOUSE TAXATION COMMITTEE

DATE: February 15, 2010

NAME	REPRESENTING
Leonard Wells	Archbishop Binyo
Jimmie Rose	KCSL
Paul Johnson	Ks Catholic Conf
Tom Bishop	Homestead
Bob Edhardt	FRBC church
Noel Etzel	Jetz Companies
Chaz Soumes	Jetz Companies
Steve Lowert	Jetz Companies
Paul [unclear]	Commach Corp.
Doug Vance	KAPA
Charles M Yunkers	The American Legion
Robert Meusdike	Self Service Laundry Assn.
Ron Soumes	JETZ SERVICE CO INC
Jimmie Rose	E-31
Gary Walker	Maneoka High School - Boka
Michelle Butler	Cap Strategies
Sandy Barnett	KESDV
Patsy Conroy	
Bo [unclear]	Rental Management Solutions

Kari Prestley
Shawn Moran

Kearney & Associates
Binyo

HOUSE TAXATION COMMITTEE

DATE: 2-15-10

NAME	REPRESENTING
Kendra Hanson	Hein Law Firm
Wells Heck	KACIR
JUDITH GARD	CAPITOL ADVANTAGE
Tom Bruno	Setz
Bob Vancouver	Greater KC Chamber -
Ken Eckles	KS Chamber of Commerce
Jenna Kriesel	KS Assn of Counties
MARK DUBETT	KNEPA
Whitby James	YMCA? / Girl Scouts
Jack Pizell	YMCA / Girl Scouts
Ed Van Pelt	Lottrey
Leslie Kaufman	KS Co-op Council
Jen Brunke	OP Chamber
Dan Muncy	Federico Consulting
Luke Bell	KS Assoc. of REALTORS
Joe Maximann	Pmca
Linda DeCoursey	American Heart Assn
Wes Ashton	Black Hills Energy
Steve Bremer	Lutheran Church Ext. Fund.

HOUSE TAXATION COMMITTEE

DATE: 2-15-10

NAME	REPRESENTING
Cynthia	SCUB
Mable Carpenter	KS CPA's
Judy Racine	KCSL
Nelson Kraeger	Sare West
Martha Ferguson	KAMHA
Janet Schalausky	KCSL

TESTIMONY IN SUPPORT OF HB 2549
February 12, 2010

I am Willis Heck and live in Newton. I am a member of the Newton City Commission and was appointed to the Kansas Advisory Council for Inter-governmental Relations by former Governor Sebelius.

I appear before you today to support HB 2549 that repeals certain sales tax exemptions. (You received a list of the exemptions in our report to you and you have received a copy as a part of these hearings.) As KACIR studied the state tax policy; it seemed important that we move towards balancing revenue sources- property tax, income tax and sales tax so that each is about 33%.

Certainly, reduced spending during these times has contributed to an imbalance in the revenue sources. However, over time, the legislature has increased the number of tax exemptions and consequently the burden for revenue now depends less on sales and use tax and more on property tax as shown in the following chart.

State and Local Tax Receipts	FY 1995	FY 2008
Sales and Use (state and local)	33.2%	29%
Income (individual and corp. and Privilege	29.0%	32%
Property, real and personal	37.8%	39%

In our Annual Report to you we included a guide to help you determine the value and consequences of granting any new exemptions. (Yellow booklet)

Repealing the suggested sales tax exemptions would not restore the balance to 33% for each revenue source but would move towards that position. We believe the balance of 1/3 for each source is a good tax policy position for the State of Kansas.

In addition the committee believes repealing the suggested list of exemptions would provide a new revenue stream that would soften the need to further cut state programs. The recommendation to repeal exemptions provides the legislators an alternative to cutting programs. The exemptions listed in the Annual Report and shown to you in other presentations would generate approximately 195 million dollars in 2011. This would not balance the budget in 2011 or 2012 but will provide new revenue that would give you an alternative to "cutting" programs entirely or as deeply.

Again, I am here to indicate support for repealing the listed sales tax exemptions.

Thank you for the opportunity to present.

House Taxation
Date: 2-15-10
Attachment: 1



HOMESTEAD AFFORDABLE HOUSING, INC.

P.O. Box 1007

115 West 4th Street, Suite 200

Holton, KS 66436

To: Rep. Richard Carlson, Chairman, House Tax Committee
Members of House Tax Committee

From: Thomas (Tom) A. Bishop, President/CEO

RE: Testimony in Opposition to portions of H.B. 2549

Date: February 12, 2009

Thank you for providing me the opportunity to present testimony on H.B. 2549. Like all Kansans I am well aware of the many fiscal issues confronting you and state government. And I am well aware that appropriations are made in this body in two fashions; directly appropriating collected tax revenues and providing tax abatements or exemptions to activities and services.

While I support the broad majority of the changes in H.B. 2549 there are certain issues that merit further attention and discussion; specifically food and shelter. Not the general categories of food and shelter services consumed by you and me and the vast majority of Kansans. But the food and shelter services and products consumed by the most at-risk and vulnerable populations in Kansas; the disabled, elderly and low income.

These exemptions are for programs and services that are most often directly funded by government, state and/or federal.

(v) ...**"Meals for delivery to"**... Meals on Wheels and congregate nutrition programs – Taxing these programs **funded by government** to serve eligible elderly and disabled persons being subject to tax results in either

- Cuts in numbers that can be served as expenses of delivering meals increases
- Appropriations at state and federal government increase to serve same number of eligible households

(oo) **Community action group or agency "for exclusive purpose of repairing or weatherizing housing occupied by low income individuals"** These agencies are the state Community Action Agencies (CAP) and Community Housing Development Organizations (CHDO), funded by state and federal funds for these weatherization and repair programs. Again taxing these **government funded** programs

- Results in fewer eligible elderly being assisted
- Requests to state and federal government increasing

(OVER)

PHONE: 785-364-0110

FAX: 785-364-0114

E-MAIL: tom@homesteadks.org

House Taxation

Date: 2-15-10

Attachment: #2

House Tax Committee
H.B. 2549
February 12, 2010
Page 2

The final area I would suggest a modification to H.B. 2549 in its present form is the addition of **sales tax on residential services**, page 16, line 7 of the bill and following to line 40. One can debate whether this additional tax should be imposed on any and all repair to homes, when new construction is excluded. Especially in a state where the state's official planning document indicates **"with over 226,000 housing units built before 1949, this estimate of poor condition may be low."** This Kansas Consolidated Plan indicates the older homes in poor condition are more often occupied by elderly and low income households.

Another large part of my concern in this area is the housing developed and operated by state and federal government subsidies and programs. These rental properties were set into place with government budgets that do not account for taxes on these residential services needed to maintain these rental units. According to the same state Consolidated Plan in just the rural, non-entitlement city areas, there are "in Kansas (not including the entitlement areas) there are a total of 28,590 assisted housing units. The units are subsidized through a variety of programs, including Low Income Housing Tax Credits, Section 8 Tenant-Based Vouchers, Section 8 Project-Based Vouchers, Rural Development, and Public Housing Authorities."

This is again taxing the same programs paid for by governments, state and federal.

If taxing of services is something that is to occur, we strongly recommend an exemption for those affordable government units provided through the programs identified above.

Thanks for your time and attention. I will be glad to respond to questions.

Hearing 12FEB10

From: Shawn Moten

Current Kansas Licensed Bingo Distributor

Shawnee County

Opposing Bill No. 2549

I'm here to represent six non-profit organizations that are opposing Bill No. 2549, specifically the reinstatement of the taxation of gross receipts on charitable bingo (pg. 17 lines 11-18). These organizations include American Legion Post No. 001 and 400, VFW Post 1650, Desert Conference of Kansas, Euclid Lodge #2, and Great Bend Kids Wrestling Club.

- **A BRIEF LESSON IN THE HISTORY OF TAXATION ON BINGO**

Since early 1980 up until the year 2000, bingo was taxed at the rate of 3% of the Gross Receipts taken in per bingo session. This was paid on a monthly basis to the State from each individually licensed non-profit organization which at that time there were over 600 such organizations (today there are only a little over 300 left).

In 2000, a bill was passed that would exempt non-profit organizations from paying this sales tax, however, at the same time it imposed a "Bingo Enforcement Tax" which stated that instead of having the non-profit organization paying a sales tax directly to the State, all Kansas licensed bingo distributors would collect this "Bingo Enforcement Tax" from the non-profits and then send it to the State (there are currently 10 such distributors in Kansas).

The benefits of this are the following: It's easier to collect, much more cost effective, and is easily traceable. This also allowed many of the smaller community non-profits to stay open since they were on the brink of shutting down their charitable bingo due to the large decrease in attendance which can be attributed mostly to the casinos that opened in Kansas at that time.

All bingo distributors in Kansas are currently paying this Bingo Enforcement Tax which last year brought in exactly 533,380 dollars. Bill number 2549 does not take away this tax but merely adds another 5.3% of the gross receipts which would have to be collected from the over 300 non-profit organizations directly.

- **In Closing**

Non-profit organizations that conduct bingo have always been and are still being taxed. They are not complaining about the tax that is currently in place as we all know that taxes are necessary, however, if this bill is passed as is, VFW's, American Legions, and other non-profit organizations across Kansas will not only be unable to support their community programs that they've donated to in the past, they will also literally be unable to keep their own doors open.

House Taxation

Date: 2-15-10
Attachment: #3

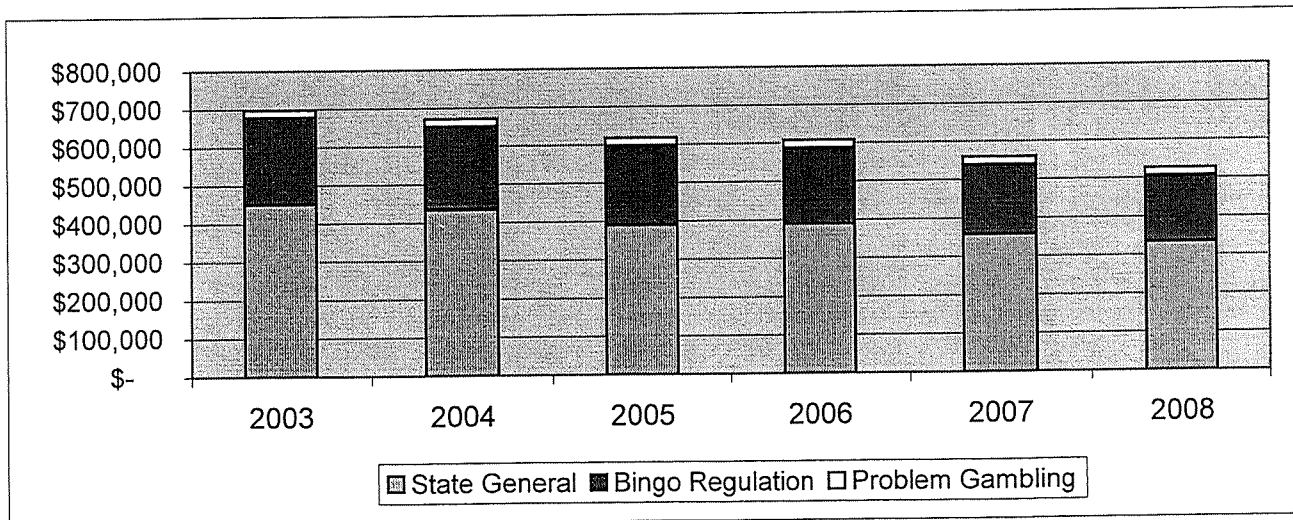
Kansas Department of Revenue
Office of Policy and Research
Bingo Tax Receipts and Disbursements

Collections

Fiscal Year	Total	Instant	Hard Cards	Faces	Fees, fines, bonds
2003	\$ 697,589	\$ 159,560	\$ 8,329	\$ 507,125	\$ 22,575
2004	\$ 671,037	\$ 150,274	\$ 1,767	\$ 498,913	\$ 20,083
2005	\$ 616,894	\$ 129,640	\$ 1,609	\$ 453,262	\$ 32,384
2006	\$ 607,021	\$ 136,441	\$ 13,938	\$ 432,543	\$ 24,100
2007	\$ 558,809	\$ 152,114	\$ 1,250	\$ 381,820	\$ 23,625
2008	\$ 526,035	\$ 127,795	\$ 664	\$ 371,552	\$ 26,025
2009 to date	\$ 191,091	\$ 43,506	\$ 828	\$ 142,881	\$ 3,875

Disposition of revenue

Fiscal Year	Total	State General Fund	Bingo Regulation Fund	Problem Gambling Fund	Per Cent Change
2003	\$ 697,589	\$ 450,132	\$ 227,457	\$ 20,000	
2004	\$ 671,038	\$ 433,991	\$ 217,047	\$ 20,000	-3.8%
2005	\$ 616,895	\$ 389,693	\$ 207,202	\$ 20,000	-8.1%
2006	\$ 607,022	\$ 388,633	\$ 198,389	\$ 20,000	-1.6%
2007	\$ 558,808	\$ 356,807	\$ 182,001	\$ 20,000	-7.9%
2008	\$ 526,036	\$ 333,357	\$ 172,679	\$ 20,000	-5.9%





THE OFFICIAL SPONSOR OF BIRTHDAYS.™

TO: HOUSE TAXATION COMMITTEE
REPRESENTATIVE RICHARD CARLSON, CHAIR

FROM: STEPHANIE WEITER,
AMERICAN CANCER SOCIETY

DATE: FEBRUARY 11, 2010

RE: HB 2549 – ELIMINATION OF NON-PROFIT SALES TAX EXEMPTIONS

LEGISLATIVE TESTIMONY ON BEHALF OF THE AMERICAN CANCER SOCIETY

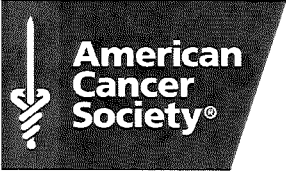
Representative Carlson, Members of the Committee, thank you for the opportunity to testify today regarding the issue of sales tax exemptions for the American Cancer Society and other nonprofit organizations.

My name is Stephanie Weiter and I am the Regional Vice President for the American Cancer Society Kansas Region. I stand before you today to ask for your continued support of sales tax exemptions for non-profit organizations in the state.

It is the mission of the American Cancer Society to save lives by helping people get well, stay well, find cures and fight back. Every dollar is critical to our life-saving work and removing our sales tax exemption will have a significant impact on our ability to provide programs. Approximately \$87,000 in savings was realized last year from the tax exemption on expenditures that were made in the state, - dollars that were used to impact the lives of cancer patients.

The recent economic downturn has impacted everyone and the American Cancer Society has not been immune. In the past six months, we have had to eliminate positions, ask our staff to take furlough days and dramatically reduce our budget. At the forefront of our mind, above everything else, is continuing to provide services to cancer patients and their family members. The \$87,000 in sales tax we could potentially lose will force us to reduce our budget further, impacting those that are already facing a devastating diagnosis.

It could mean that 870 cancer patients may not receive a gas card to help get them to and from their treatment; patients could be limited on the number of nights they can stay free of charge at our Hope Lodge; a researcher with an idea for a cure would not be funded; a woman with a breast cancer may go undiagnosed because she did not go in for her screening; a man could decide not to reschedule his colonoscopy and a polyp may turn into cancer; or kids who have or



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have had cancer would not have an opportunity to attend Camp Hope, our summer camp held right here in Kansas.

To you, the \$87,000 may be a means to an end. But to me and the thousands of cancer patients in Kansas, that number is life altering. I ask that you keep that in mind as you discuss and deliberate this issue.

Thank you for your time.

Kansas Coalition Against Sexual and Domestic Violence



634 SW Harrison Topeka, Kansas 66603
785-232-9784 • FAX 785-266-1874 • coalition@kcsdv.org • www.kcsdv.org

House Taxation Committee
House Bill 2549
February 11, 2010

OPPOSED

Chairman Carlson and Members of the Committee:

The Kansas Coalition Against Sexual and Domestic Violence is a network of 30 programs across the state of Kansas that provide life saving and transformative services to victims of sexual and domestic violence; including crisis hotlines, safe shelter; law enforcement and emergency forensic and health care advocacy, safety planning, and public education. These programs provided face to face services to more than 25,000 victims during FY 2009.

These organizations are most often described as human/social service agencies providing public safety and public good services. They are also small businesses with payroll obligations; they are governed by community-based Boards of Directors, and are incorporated in the state of Kansas. Each of these organizations are tax-exempt under the IRS tax code 501 (c) 3, which means that rather than any principles incurring profit from these organizations, all funds must be directed toward the purpose of the organization. These organizations are funded through a maze of federal and state grants, state general revenue, and contracts for services through KCSVD and the Department of Social and Rehabilitation Services: services that, if not for these community non-profit organizations, would have to be provided by government entities.

These organizations provide employment for more than 350 people in Kansas who provide services to victims of sexual and domestic violence. During the course of service provision; these organizations also purchase supplies, equipment, and utilities directly related to that service provision. For example, the 23 shelter programs across Kansas must purchase food, utilities, laundry supplies, sanitation supplies, etc. to keep the shelters operating. Additionally, some programs have specific grant funds to help victims purchase emergency supplies such as medication and emergency health care, clothing after a forensic examination because clothing must be retained as evidence of a sexual assault, pacifiers for babies in shelters, and occasionally a birthday gift for a child in shelter.

Although the largest portion of expense for operating these programs is payroll related, most other purchases would be subject to state and local sales tax. In a survey of the domestic and sexual violence programs across Kansas, it appears that the current sales tax exemption allows approximately \$100,000 per year to be reinvested in direct services provided to victims and their communities.

Member Programs Serve All 105 Counties in the State of Kansas

House Taxation

Date: 2-15-10

Attachment: #5

Although KCSDV and its member programs understand that this sales tax exemption reduces the funds available in the state general revenue account that can be redistribution for the state's purposes – the provision of these services is already serving a public good; and as it relates to the provision of services under the contract from SRS is a direct state function.

Repealing the state sales tax exemption from the domestic and sexual violence service programs in Kansas will result in additional cost to the state in job loss, which is likely to be higher than the cost of the sales tax exemption. These programs are already struggling with cuts in federal, state, and local funding, and the repeal of the sales tax exemption would have a synergistic effect – the result would be much greater than the actual loss of dollars directly related to the exemption.

Privatizing public good services is a strategy used by all levels of government; sometimes as a cost-saver and/or because non-profit organizations can be more effective and nimble at responding to emerging needs. In fact, such arrangements have become so common that non-profits that provide public good services have been called the "shadow state." Providing a sales tax exemption to such organizations is rational and good public policy.

KCSDV asks the House Taxation Committee to recognize that the sales tax exemption has a direct relationship to public good service provisions and retain the exemption for domestic/sexual violence programs in Kansas.

Respectfully Submitted,

Sandy Barnett
Executive Director

My name is Gary Walker. I am the manager of Hayden High School PACE Bingo here in Topeka. All organizations that have bingo as a fundraiser must be licensed by the State of Kansas. They must qualify as a non profit organization, and that group is very restricted.

Organizations that can be licensed for Bingo:

- **Religious**
- **Charitable**
- **Fraternal**
- **Veterans**

All money raised is used to support activities in the community, which in many cases wouldn't be funded if it weren't for Bingo Proceeds.

Bingo is highly regulated by the state and the rules are quite strict. All workers must be volunteers. We are told what games we can play, how much we can charge, how much prize money we can give away, how many sessions we can run in a week, and how and where we can advertise.

There is already a very sizable tax on Bingo, to make it easier for the State to collect, taxes are attached to the Bingo paper & pull tabs purchased from suppliers. We are taxed on supplies at a rate of approximately 26% on all supplies. On my last invoice, of a \$572 bill \$ 150 was enforcement tax. If you continue to raise taxes on Bingo it will hurt revenues, and lower the amount of good work done in the communities where Bingo is played.

This ultimately will send more money to the Indian Reservations that do not have to live with the restrictions and taxes. This group should have its taxes lowered, not raised. Thank you for your attention today.

Gary Walker

House Taxation
Date: 2-15-10
Attachment: #6

In Reference to House Bill No. 2549

From: Susan Riley
Kansas Charitable Bingo Association, Chairwoman
and
Emporia Senior Center, Director

The changes in House Bill 2549 are intended to bring more revenue to our state. I ask you to look at the ramifications should you decide to pass this bill. I would like to address two items that would have dire consequences if passed by this committee.

- **The gross receipts received from the sales of bingo cards, bingo faces and instant bingo tickets by licensees.**

Currently the number of Charitable Bingo Licensees in our state is dropping and the ones that remain show a significant drop in revenues.

Charitable Bingo in Kansas must compete with casinos and military bases. Adding this tax, which neither casinos nor military bases pay, severely limits Kansas Charitable Bingo to be beneficial for our licensees.

Removal of this tax exemption will in effect close down or dramatically reduce services provided by our Veterans organizations, fraternal organizations, senior centers, etc; who depend on the proceeds from Bingo to pay the bills to keep their doors open. I remind you that there is currently an enforcement tax in place on bingo cards, faces, and instant bingo tickets.

- **Isolated or Occasional Sale**

Our Veterans organizations, fraternal organizations, senior centers, etc; have small fund raisers to support their organization or events and activities such as American Legion Baseball or hot meals for Seniors by hosting potato bars, pancake feeds, etc. Removing sales tax exemption from these isolated or occasional sales would dramatically impact organizations whose sole purpose is to benefit the neediest populations, youth activities, and to be a focal point for our Veterans.

House Taxation
Date: 2-15-10
Attachment: #7



Kansas Children's Service League

Giving Kids Our Best. For Over 100 Years.

Toll-free
877-530-5275
www.kcsl.org

3545 SW 5th
P.O. Box 5268
Topeka, KS 66605
Tel 785-274-3100
Fax 785-274-3822

Locations

- Cimarron
- Deerfield
- Emporia
- Garden City
- Hays
- Hugoton
- Hutchinson
- Kansas City, KS
- Kingman
- Lenexa
- Leoti
- Liberal
- Manhattan
- Pittsburg
- Pratt
- Salina
- Satanta
- St. John
- Stafford
- Topeka
- Ulysses
- Wichita

Kansas Children's Service League is the Kansas Chapter of Prevent Child Abuse America, a member of the Child Welfare League of America and the United Way. Accredited by the Council on Accreditation.

The Honorable Richard Carlson, Chair
House Committee on Taxation
Room 783, Docking

February 15, 2010

Re: H.B. 2549

Chair Carlson and Members of the Committee:

I am Janet Schalansky, President and CEO of the Kansas Children's Service League. Thank you for the opportunity to provide testimony regarding H.B. 2549.

The Kansas Children's Service League's mission is to protect and promote the well-being of children. KCSL has worked actively with state agencies and the Kansas legislature to support and advocate for the wellbeing of Kansas children and families for 117 years. Currently, we provide statewide child abuse and neglect prevention and family support services, early education and a range of other services that keep families strong and children healthy, safe, and in their own homes.

During the recent economic downturn, our funders have pared, trimmed, and changed service delivery models to reduce costs. Most recently, we are sharing in the 10% reimbursement reduction for Medicaid-funded outpatient mental health services. We understand our obligation to share the burden of these tough economic times, and we have made the adjustments necessary to accommodate these reductions. We have laid off staff, increased staff workloads, and closed offices. We have merged with the Shawnee County Family Resource Center and found administrative efficiencies as a result. We have also aggressively pursued new funding and grant opportunities, and have been successful in several cases.

KCSL has a named exemption in K.S.A. 79-3606 (uuu). The KACIR recommendations value KCSL's sales tax exemption at \$160,000. We would note that amount varies year by year, depending on the type and mix of services we are providing. We would estimate our sales tax liability for 2009 might have been closer to \$310,000. The purchases we make are not just for office supplies, equipment, or printing as one might assume. About one-third of our work is operating Head Start and Early Head Start programs in western Kansas, which requires significant expenditures for food and educational materials.

Data shows the services we provide are both effective and cost-effective. We believe the increased cost of doing business that would result from losing our sales tax exemption would have negative consequences for Kansas children and families, as outlined in the box on page three. However, we would like to address concerns



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that have been raised about the increasing number of exemptions, equity, and accountability, first. On page two of the KACIR recommendations, the policy choice offered is to:

- *Repeal all exemptions granted "by name" to a specific organization. Either replace it with an exemption for all organizations similarly situated, or revoke the exemption.*

Eliminating Named Exemptions. In reviewing the KACIR recommendation, we believe a strong case can be made for establishing a class exemption for organizations that derive most of their funding from public sources.

Increasing the tax liability of those organizations presents some unique policy considerations and fiscal consequences. To use ourselves as an example, eighty-two percent of KCSL's revenues come from public sources, including state and federal contracts, subcontracts, and purchase of service agreements. That high percentage of public funding would appear to indicate that state and federal funding sources have decided the services we provide serve a public good that makes them worthy of expending taxpayer dollars. To turn around and then tax those taxpayer-derived dollars would seem counterintuitive. In addition, because 82% of KCSL's funding is derived from public sources, increasing KCSL's tax liability may not be a particularly effective way to increase state revenues over the long term. If sales tax expenditures are imposed, the increased cost of doing business will be reflected in future years' grant applications and contracts. This will either increase the cost to the funding entity or reduce the amount of services provided; in either event delivering reduced value to taxpayers.

Reducing Number of Exemptions. We believe that revoking the "by name" exemptions and establishing a class exemption for charitable and nonprofit organizations that are primarily funded through public sources would be a sound public policy that is both equitable and fiscally responsible. Applying this standard to organizations that currently hold exemptions might reduce their number, and applying the same standard going forward would clarify the expectations for organizations requesting sales tax relief in the future.

Providing Accountability. If a "public good" standard were to be applied, accountability would need to be addressed as well. The prescribed level of public funding would need to be maintained or organizations would lose their exemption. In addition, evidence would be needed that the public good is in fact being served. Organizations that receive a high percentage of public funding are typically held to reporting, outcome, and accountability standards. Reports reflecting that information could be easily made available to the Legislature or Department of Revenue on an annual basis. We would be glad to provide any additional information the Legislature deems necessary as evidence of continued worthiness.

I appreciate your consideration of these concerns.

Cost Benefit of KCSL Services:
an example

- The vast majority of KCSL expenditures are required by grant or contract; they are not optional. This makes staff reductions our primary recourse if we must reduce costs. We would need to lay off seven staff members in order to shift \$310,000 in revenues to payment of sales tax.
- Since the primary function of our staff is to provide prevention, early childhood, case management, and other services, we are concerned about the consequences this would have for the children and families we serve.
- Reducing services to families that have been proven effective in keeping children at home is both unfortunate for them and potentially costly for the state. For example, in 2009, the families we served through our Healthy Families program had an average of 4.7 “risk factors” such as poverty, or lack of pre-natal care. Research shows that families with four or more risk factors have a 50% risk of abusing and/or neglecting their child (Murphy, Orkow, and Nicola, 1985; and Wiese and Daro, 1995).
- By providing intensive in-home services, Healthy Families is extremely successful in keeping children out of the child welfare system: 99.6 percent of the families we served in Healthy Families during 2009 did not experience child abuse or neglect.
- The cost of serving a family through KCSL’s Healthy Families program in calendar year 2009 was \$4,650. By comparison, the SRS budget shows the cost of foster care at \$27,216 per child, per year in SFY 2010. At a differential of \$22,566 per placement, it would only take seven additional foster care placements to “use up” the Department of Revenue’s estimated increase in sales tax receipts of \$160,000 – and an additional six placements to equal our 2009 estimate of \$310,000.

House Bill 2549

An Act concerning sales taxation; relating to imposition of tax on certain services; exemptions, repealed; fundraising sales; amending K.S.A.2009 Supp. 12-189a,79-3602, 79-3603 and 79-3606 and repealing existing sections.

Testimony on behalf of The American Legion Department of Kansas

Presented by

Charles M. Yunker, Department Adjutant

Before the

House Committee on Taxation

State Capitol Building, Room 783

9:00am, February 12, 2010

Thank you for providing me this opportunity to appear before you today in opposition to House Bill 2549. While The American Legion recognizes and appreciates the State's current financial situation we do not believe imposing additional taxes on games of Bingo, and not for profit organizations and their activities is the answer to balancing the State budget. In fact we believe just the opposite will occur because the efforts of many nonprofit organizations will either be forced to drop or seriously curtail their community based charitable programs.

Before I go any further I would like to point out HB 2549 is not a simple 5.3% state sales tax. All local sales taxes will piggy back onto the state tax which will exacerbate the damage that will be imposed upon nonprofit organizations.

Bingo: A number of years ago some in the legislature falsely believed the majority of non-profit charitable organizations such as churches and veterans and fraternal organizations conducting Bingo were under reporting sales taxes. The result of that misguided belief was legislation which basically outlawed traditional Bingo cards and Bingo licensees were forced to switch to paper Bingo "faces". Further, the law was also changed to require licensees to pay "enforcement" taxes in advance when the paper Bingo faces and Instant Bingo tickets were purchased from suppliers. In exchange for having to pay taxes in advance state and local sales taxes were removed from Bingo sales. That action also saved the State money by reducing the number of monthly sales tax reports it had to process and audit because at the time there were a hand full of Bingo suppliers vs. hundreds of Bingo licensees.

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Thus sales taxes were swapped for enforcement taxes.....there was no "tax break" given to Bingo licensees, especially when you consider the licensees have to pay the enforcement tax up front and hope none of the paper faces are damaged or destroyed. I might also mention the enforcement tax almost doubles the cost of each Bingo face.

It is impractical for Bingo licensees who, by law must rely upon volunteers to operate Bingo games, to make change requiring coins. The pace of the average Bingo session simply will not allow the delays making change would create. Likewise the State can not expect Bingo licensees to absorb the cost of sales taxes from their already slim profits especially since we expect to see a reduction in its Bingo sales because of competition from state owned casinos.

Sales taxes on dues: There is a reason the Legislature granted veteran and fraternal organizations and other nonprofit groups an exemption from paying sales taxes on their membership dues. The Legislature recognized the almost incalculable benefit those organizations annually provide to their communities, veterans, the elderly, students preparing for college, children, the homeless, and others.

Is it now the Legislature's desire to reduce the impact of our community based programs by imposing a tax on the cost of membership? Will Kansans now have to pay a tax so they can continue to volunteer their time and talent to a nonprofit organization?

The American Legion is a federally chartered not for profit war time veteran's organization and other than requiring our members to be an eligible veteran; we are not much different from the majority of other organizations. If we raise our dues we can expect at least a 10% decline in membership. HB 2549 will be looked upon as a dues increase by our average member when they receive their annual dues notice because those notices simply state the amount of dues and the address to mail dues to their Post.

Our dues notices are printed and mailed by our National organization which is not set up to list the amount of dues and taxes separately. A portion of every Legionnaire's dues is retained by the member's Post; the remainder is divided by the state and national organizations. By the way, the federal government considers the national portion not as dues but as a subscription to The American Legion Magazine. Are our Posts supposed to collect sales taxes on subscriptions?

There are 330 American Legion Posts in Kansas whose membership totals approximately 40,000. Last year our members donated \$751,129.00 and 87,655 hours in service to their communities. And that is with approximately 65% of our Posts taking the time to file a report---our Posts and members are notorious for "doing" but not reporting. The American Legion Auxiliary's 257 Units reported donating 312,081 hours and \$247,955.63.

Unfortunately the Sons of The American Legion figures are not available to me at this time however I can tell you that The American Legion Riders accounted for \$317,241.00 and 236,729 hours volunteered last year. All of those figures will be reduced if our members have to pay sales taxes on their dues.

Programs like American Legion Baseball, Boys' State, Girl's State, Cadet Law Enforcement Academy, High School Oratorical Contests, scholarships will be impacted.

Services to veterans will also suffer; last weekend the Legion Riders raised \$11,000.00 which will be used to purchase items for Ft. Riley's Wounded Warrior Battalion, and non-budgeted item at the Kansas Veterans Home in Winfield and the Kansas Soldiers Home at Ft. Dodge.

Fund raising: Pages 49 and 50 of HB 2549 will make it almost impossible for American Legion Posts to raise the funds I just outlined. For example, last year there was a need to provide "real" Thanksgiving dinners to the Wounded Warriors at Ft. Riley. In a matter of two or three weeks our Legion Riders raised over \$14,500.00 for that dinner. They saw the need and they covered the need. What if they or their Posts had already held the limit of three fund raising events as proposed by HD 2549?

Our Posts, Auxiliary Units, Sons of the American Legion Squadrons, and American Legion Rider Chapters use our Posts to hold fund raising dinners for their activities ranging from sending "Christmas in a Box" to hundreds of deployed troops to providing scholarships, medical treatments for cancer or burn victims.

HB 2549 will diminish all of those activities by adversely affecting morale of our volunteers who will be forced to limit their charitable fundraising, and increase the cost of membership for many on fixed incomes thus driving them away from an organization that they feel a kinship with and for as a veteran. I urge you to vote no on HB 2549.

Eliminating certain consumer exemptions

****Note this ended 6/30/09**

Modified definition of sales or selling price to not include cash rebates granted by a manufacturer to a purchaser or lessee of a new motor vehicle if paid directly to the retailer as a result of the original sale. The exemption is granted from July 1, 2006 and ending June 30, 2009

79-3602(ii)

79-3603(b) Taxes telephone and telegraph services except certain interstate and international services and value-added nonvoice data services

79-3606(f) Coin operated Laundry Services

79-3603 (o) Motor vehicles exchanged for corporate stock, corporate transfer to itself and immediate family member sales.

79-3603 (v) Sales of bingo cards, bingo faces and instant bingo tickets. Tax rate 2.5 on July 1, 2001 to June 30, 2002; exempt on July 1, 2002

79-3606 (x) Sales of propane, gas, LP-gas, coal, wood, and other fuel sources for the production of heat or lighting for noncommercial use in a residential premise. Effective Jan 1 2006, exemption for residential and agricultural moved hereto 3603(c).

79-3606 (ee) Lottery tickets and shares made as part of a lottery operated by the State of Kansas

79-3606 (ooo) Sales made by or on behalf of a public library

79-3606 (rrr) Sales made by or on behalf of a county law library

Eliminating exemption on labor services for residential repair work

79-3603 (p) Amend to remove the exemption on labor services for residential repair work.

Clarify law of maintenance svcs that are taxable and include janitorial cleaning svcs for comm property

79-3603(q) Revise 79-3603(q) so that taxable "maintenance" services include janitorial cleaning services for commercial property. Under current law, washing a floor is not taxed, but waxing a floor (applying tangible personal property) is taxed. The proposal would make clear that washing a commercial property floor is also taxable.

Eliminating exemption on residential utilities and local exemptions on water for resid use KSA 12-189(a)

79-3603 (c) Electricity, gas and heat utilities exemption for residential use. Exemption is limited to state sales tax only.

79-3606 (w) Water exemption for residential use.



Ed Van Petten
Executive Director

Mark Parkinson
Governor

**Testimony Before The
House Taxation Committee
H. B. 2549
February 15, 2010**

Presented By:
Ed Van Petten, Executive Director
Kansas Lottery

Mr. Chairman and members of the Committee:

I appreciate this opportunity to address the issue of eliminating the exemption of lottery ticket sales from the assessment of sales tax. I fully understand that the Kansas Legislature has a monumental task ahead of it, and that no matter how you approach the deficit issue, you are all destined to upset at least a part of your constituency. I firmly believe that this measure would not only upset the players of lottery games but would cost the state millions of dollars annually. This is due to the fact that the Kansas Lottery would have to cease marketing all of our products now administered through the Multi-State Lottery Association (MUSL). All games that are sold under our agreement with MUSL must be sold at the price agreed by the product group, and that price must include all "statutorily mandated taxes." It would be impossible, with the varying sales tax rates throughout the state, to include sales tax within the set price of the game. We would therefore have to stop selling Powerball, Mega Millions and other MUSL tickets, and only have our Kansas Lottery specific games to market.

In FY 09, the Kansas Lottery had total sales of over \$230 million. Of that, approximately \$57 million was from the sale of games administered by MUSL. Sales for FY10, through February 6, 2010, total \$140,356,869, with sales of MUSL games totaling \$32,632,232 (23.2%). With the addition of Mega Millions, January 31, that percentage will certainly increase. In addition, without these MUSL games to sell, many retailers would not sell any lottery products at all, because of the reduction of sales. Many of our smaller retailers barely cover the \$10.00 per week communication assessment now. This requires sales of \$200.00, based on their 5% selling commission. We realize that a lot of retailers handle lottery products as a service to their customers, but doubt that they would do so, if losing money.

The only North American lottery to impose a tax, on top of ticket cost, was Saskatchewan, in 1989. After four and a half months, special legislation rescinding the action was enacted, due to a 35% decrease in sales throughout the province. Even after the rescission, sales lagged for years, as disgruntled constituents refused to return to the games.

Additional losses to the state would be from income tax collections on winning tickets. Our Powerball winner in Great Bend this fiscal year resulted in a collection of approximately \$2.5 million in state income tax. All wins over \$600 are reported and taxes withheld on all wins of \$5,000.00 or more. We have had twenty-three winners of \$1 million or more in MUSL games. All of those winnings would no longer be a possibility in Kansas.

Another consideration is one of fairness to your constituents. Last year we transferred approximately 28% of sales to the State Gaming Revenues Fund. Pure and simple that is a tax. If you add sales tax on top of that you would have an effective tax rate of over 35% on lottery ticket sales. My guess is that we would lose at least another third of our sales on top of the 23% loss from the discontinuation of the sale of MUSL games. This measure would certainly cost the State of Kansas, at least \$20 million per year and is more likely to cost \$35 to \$40 million. In short, it would be a total disaster.

Testimony before the House Taxation Committee
HB 2549 – Repeal of Certain Sales Tax Exemptions
Presented by J. Kent Eckles, Vice President of Government Affairs



Monday, February 15th, 2010

The Kansas Chamber of Commerce appreciates the opportunity to submit testimony in opposition to a portion of HB 2549 [79-3603 (q), p. 15, line 43, p. 16, lines 1-7 & 33-40), which would repeal sales tax exemptions on services to repair, service, alter or maintain tangible personal property built into facilities or buildings.

Adding a sales tax to said services, which are required of many businesses large and small throughout Kansas, will only serve to drive up the cost of doing business in the State – something Kansas employers cannot afford, especially in this economic climate. This provision covers more than just washing and waxing floors as described when the bill was introduced and is thus a major added cost to business inputs.

Manufacturers in the state spend millions of dollars a year to service machinery and equipment necessary to produce goods which are already taxed at the point of retail sale. While the machinery and equipment targeted by this legislative provision is not for ultimate sale, this provision adds another cost to the manufacturing process, which hurts both the consumer and producer alike via added costs and thus higher prices.

Finally, this provision of HB 2549 is the proverbial “nose under the tent” on taxing professional services. Should this provision become law, some will ponder why we tax certain services and not others and thus is a dangerous road to go down because such taxes will mean thousands of lost jobs in Kansas.

We urge the committee to amend the aforementioned provisions out of HB 2549.

The Kansas Chamber, with headquarters in Topeka, Kansas, is the leading statewide pro-business advocacy group moving Kansas towards becoming the best state in America to live and work. The Chamber represents small, medium, and large employers all across Kansas. Please contact me directly if you have any questions regarding this testimony.





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Professional Laundry Systems Since 1966

Chairman Carlson and Committee Members,

Thank you for allowing me to speak today in opposition to House Bill 2549. I am Ron Sommers, President of Jetz Service Co., Inc. Jetz has been in the business of providing laundry equipment and services to the apartment industry in Kansas for 44 years.

1. This tax is one of the most regressive taxes that could possibly be applied. It is a tax of discrimination because if collected, it unnecessarily burdens those who can least afford to pay; the low to middle income households. These consumers do not use Jetz' coin operated laundry equipment by choice as it is the only way they can do their laundry since they cannot afford to live in an apartment community that is equipped with their own in-unit washer and dryer connections nor do they have the necessary financial means to purchase single family homes. Furthermore, they may not be able to afford the cost associated with owning their own washer and dryer. And in addition, it also affects young people just starting out in the world.
2. This is not a sales tax, it is an income tax. Jetz' coin-laundries are not attended, and therefore, the tax cannot be collected from the end consumer. Additionally, it is not possible to increase the cost in an incremental amount equivalent to the sales tax rate. The current price is \$1.50 per cycle and the existing tax rate for the Topeka area is .0795, which equates to a total tax of \$0.12 per cycle combined. The coin drops on our machines can only accommodate increases of a quarter (\$0.25) which would be charging \$0.13 more than the tax rate and make it an overall increased rate of 16.6% to the end consumer. As a result, this forces a price increase on the consumer, which could possibly cause us to out price ourselves in the market place, which would result in an additional decline in revenues.
3. The Jetz Companies have experienced a reduction in revenues brought on by the recession. We have, thus far, been able to avert a reduction in jobs, however, this is subject to ongoing review. Jetz has two offices in Kansas and employs 25 people.
4. To place an additional financial burden on consumers or small businesses during these times of uncertainty would be counterproductive. We ask that the committee not approve this bill.

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Chairman Carlson and Committee Members,

Thank you for allowing me to speak today in opposition to House Bill 2549. I am Travis Maurath, owner of Rental Management Solutions, a property management company that manages property for over 200 real estate investors in Kansas.

1. This tax before us is one of substantial impact to the residents of my properties, owners of the properties my company manages, and suppliers of laundry equipment that is placed on my properties.
2. A substantial portion of my residents live in our properties out of necessity. They cannot afford to purchase a home of their own and therefore rely on affordable rental property for housing. Most multi-family properties have coin operated laundry due to the age of construction. These older properties are much more affordable than the few new properties that have laundry provided in each unit. Therefore, this tax would only affect the residents that live in the lower rent properties, not the newer, luxury apartment communities. This tax is a tax on the poor only, excluding the population that can afford the higher rents of the newer properties as well as those of course that have the means to rent a home with laundry hook-ups or own a home and have their own laundry appliances.
3. The tax would have a significant impact on the owners of the properties as well who pay substantial property tax and passive income tax. If this tax burden is not passed on to the tenants, the equipment supplier would be left with no choice but to retain a much larger portion of the laundry income in order to continue providing the service. This would have such an impact on the income from the laundry equipment that it would be tough to justify continuing to provide the service due to the cost of the utilities alone, which are taxed and continue to be increased each year. This would result in residents seeking out alternative housing where laundry service is not a problem. The net result is likely to be reduced occupancy on the older properties sending them in to a depressed income state and turning them into sub-par housing for the lowest income population and reducing the overall quality of housing in our state.
4. This tax would have a dramatic affect on laundry service providers, either way it is handled. I suspect that if the providers attempt to absorb the tax, it could break most if not all as their profit margin more than likely cannot take a hit like this. If the service provider passes the tax on to the consumer, this would be in either the form of taking a greater portion of the laundry profit from the property owner, or though raising the coin rates on the equipment. One scenario reduced the likelihood of the laundry equipment staying on the property and reduced the overall appeal of the property depressing it into low income, sub-par housing and the other put the tax directly on the low and moderate income residents that are struggling to make ends meet in this economy currently.

With the current state of the economy, now is certainly not the time to have these adverse conditions placed on the struggling low and moderate income residents of Kansas, nor the property investors that are seeing all-time lows in their property market values and struggling to make ends meet due to the depressed occupancies, nor the laundry service providers, whos net income is depressed due to the "tightening of the belt" that most Kansans are dealing with. I ask you to seriously consider the position of real estate investors and not pass this bill. Thank you for allowing me to address you today.

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FAMILY LAUNDRIES
PRESIDENT OF MO-KAN CLA

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FEBRUARY 10, 2010

To whom it may concern:

Testimony for Sales Tax Position in Kansas
February 12, 2010

Thank you Ladies and Gentlemen for allowing me to speak today. My name is Robert Meuschke and I am a self-serve laundry owner as well as President of the Kansas & Missouri Self Serve Laundry Assn. I was elected by many of your constituents to represent the ones here and also the ones that could not be here. I have submitted two email testimonies from laundry owners from Garden City, and Overland Park.

As you folks are here representing your state, trying to make the best decisions possible for the State of Kansas. I am here to help you in that same way and to make some real clarifications to not removing the exemption from Self-Serve Laundries under the current law in the State of Kansas.

I know that you folks are trying to make sure nothing has fallen through the cracks (so to speak) looking for funds. I want you to know that the Self-Serve Laundry Industry is not one of those places, and I hope in the next few minutes to make it clear to you.

I think that we all can agree that we must have clean clothes to wear as well as a clean environment to live and work in, for Health, Job placement, School, and just everyday living.

The Exemption for Self-Serve Laundries that is now on the Tax Law is Right and Fair. We basically are a reseller of utilities.

We pay sales tax on all of our equipment when purchased just like you folks do in your homes. We pay sales & use tax on ELECTRICITY, NATURAL GAS, PROPANE, WATER, TELEPHONE, ETC. just like you do in your homes even though we pay a higher rate paying in more tax because we are rated as a

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commercial business. All of our soap, softener, and supplies we sell and collect sales tax and forward that to the state. And on all of our parts that we purchase because of the use and abuse to our equipment we pay sales tax on. BUT THAT IS ALL!! WE OPEN THE DOOR AND WAIT FOR THEM TO COME IN AND DO THEIR LAUNDRY. WE PROVIDE NO OTHER SERVICE THAT IS NOT ALREADY TAXED OTHER THAN TO CLEAN UP THE CUSTOMERS MESSSES THAT THEY LEAVE.

SO HOW DO YOU JUSTIFY THIS A FAIR TAX!!!!!!

The Recession has been tough on everyone, every business, and including the State of Kansas. But especially on the average and below average wage earner. They have no other place to pass things on. They must just do without.

I have talked to laundry owners in Wichita, Hutchenson, Salina, Lenexa, and Mission as well as I have witnessed the same thing:

"Families will come in with a week's laundry. Load up several machines go and get change to start the machines and find that they do not have enough funds to wash all of their clothes. So they do one of two things: (1) they load some of their dirty clothes up and put them back into their car hoping that next week they might have some more money to wash them as well as the other weeks clothes. (2) empty some of the washers and cram them into other washers creating one of two more problems: (1) either they do not get clean because they cannot move in the washer or (2) they break the machine. Both of which usually gets us involved to where we end up washing there clothes for them again at our expense to keep them comming back. All of this is a loosing proposition. And you want to make it worse on us and the customer.

The average income in 2008 across the State of Kansas was \$37,640. The average self-serve laundry customer across the nation is \$23,000. That is 39% less then the average kansan and many of our customers make much much less.

What this means is if you remove the exemption from the law the way it has been, then only those making the least will be taxed. MAKING THIS A PURE AND SIMPLE A TAX ON THE POOR! The residents of the State of Kansas that can own their own washer & dryer will be exempt. LIKE I SAID A DISCRIMINATING TAX ON THE POOR!!

So removing the existing exemption for Self-Serve Laundries is not only a TAX ON THE POOR BUT FOR THE OWNERS A DOUBLE TAX ON THEIR EQUIPMENT AND UTILITIES. EITHER WAY IS A LOSING PROPOSITION!!!

This could and will cause many of the small Laundries, of which over 70% in the state are, to consider closing. Either they cannot feel like they can raise their prices anymore on their customers to justify the tax or they cannot just take the loss on their profits from the laundry to just pay the tax.

Which results in a larger problem. There are many towns all over the State of Kansas like Fredonia, Cherryvale, Springhill, Edwardsville, and Bonner Springs that only have one Laundry in there town. If they close, what are you going to say to help the people of those towns do about cleaning there clothes for school and work. How are you going to get someone else interested in opening a self-serve laundries in those small towns to allow people to live decently. How about the more health costs because of people living and sleeping in dirty and unhealthy enviornments. This is what will happen and I sure do not have the answers for that nor would I want to go in under those circumstances and try and make a living

It is to no avail to try and bring jobs to Kansas, raise the levels of schools and try to excite our towns and cities to grow if you hinder the ability of a basic human expectation of life to everyone **INCLUDING THE BELOW AVERAGE AND POOR wage earner of having CLEAN CLOTHES AND SLEEPING ON CLEAN BEDDING.**

Thank you again for allowing me to speak today. I hope you make the right decision for all Kansans/



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To: House Taxation Committee

Date: February 12, 2010

Subject: **HB 2549** -- Eliminating Various Sales Tax Exemptions Important to the Vitality of the Housing Industry and Imposing a New Sales Tax on "Personal and Household Services"

Chairman Carlson and members of the House Taxation Committee, thank you for the opportunity to appear in front of you today on behalf of the Kansas Association of REALTORS® in opposition to the provisions of **HB 2549**. Through the comments expressed herein, it is our hope to provide additional legal and public policy context to the discussion on this issue.

KAR has faithfully represented the interests of the nearly 9,000 real estate professionals and over 700,000 homeowners in Kansas for the last 90 years. In conjunction with other organizations involved in the housing industry, the association seeks to increase housing opportunities in this state by increasing the availability of affordable and adequate housing for Kansas families.

Proposed Changes in **HB 2549** are Tax Increases That Will Cause Tremendous Economic Harm to the Small Businesses and Professionals That Make Up the Construction and Housing Industries

Over the last few years, the housing industry in Kansas has experienced a dramatic decline that has caused considerable economic harm to Kansas businesses and communities. Unfortunately, the manufactured housing, real estate and residential construction industries have all been severely harmed by the decline in the housing market and the struggling economy.

As the House Taxation Committee discusses the important tax policy changes proposed in this legislation, it is imperative that the members of the committee understand the tremendous economic harm that has already affected this vitally important segment of the Kansas economy. Any further tax increases (such as those contained in **HB 2549**) on the construction and housing industries will cause further catastrophic harm to the Kansas economy.

The housing industry generates approximately \$14.032 billion in economic growth for Kansas each year, which represents around 12.0% of the state's Gross State Product. Since more than one out of every five Kansas businesses are in the construction and housing industries, the Kansas economy cannot recover (much less thrive again) until the construction and housing industries recover.

KAR Strongly Opposes the Proposal to Impose a Sales Tax Increase on the Repair of Residential Property by Eliminating the Word "Repair" in Section 3(p) on Page 15 of the Legislation

Under **K.S.A. 79-3603(p)**, a sales tax is imposed upon the "service of installing or applying tangible personal property" to a building or facility, regardless whether the tangible personal property when installed or applied remains personal property or becomes part of the real property. This tax applies to all contractors and generally means that a sales tax has to be paid on the value of the labor and any materials applied to the property.

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However, **K.S.A. 79-3603(p)** also provides that no sales tax “shall be imposed upon the service of installing or applying tangible personal property in connection with the original construction of a building” or the “original construction, reconstruction, restoration, remodeling, renovation, repair or replacement of a residence.” Accordingly, a homeowner is currently not required to pay a sales tax on the value of any labor or services provided by a contractor to repair a residence.

Under the language in Section 3(p) in line 11 on page 15 of **HB 2549**, the Kansas Department of Revenue (hereinafter “department”) has proposed to strike the term “repair” from the provisions of **K.S.A. 79-3603(p)** and impose a sales tax on the labor provided during the course of the repair of a residence. If passed, we believe the proposed changes will result in a substantial increase in the sales tax burden on Kansas families and homeowners.

According to the department, the proposed change would mostly “clarify” the intent of the statute by imposing a sales tax on the labor provided by a contractor to repair any personal or real property in a residence. However, we would strenuously disagree with this contention and would assert to the contrary that the department has deliberately misinterpreted the current provisions of **K.S.A. 79-6303(p)** to generate additional sales tax revenue for the state.

KAR Strongly Believes that the Department Has Deliberately Misinterpreted the Current Statute to Impose Additional Sales Taxes on Contractors Who Perform Residential Repairs

In interpreting **K.S.A. 79-6303(p)**, the department relies on an interpretation that concludes that the labor or service provided by a contractor in the repair of a residence is a taxable service when that repair involves the labor or service of “installing or applying tangible personal property.” However, we believe that the current statute prohibits the imposition of any sales tax on the labor or service of repairing a residence, even if that repair involves “installing or applying tangible personal property.”

The most frequently cited example of the department’s interpretation of the current statutory provisions in **K.S.A. 79-6303(p)** is the alleged distinction between washing and waxing a floor in a residence. According to the department, a contractor who applies a wax product to the floor of a residence should be forced to pay a sales tax on that labor or service since they are applying “tangible personal property” in the form of a wax product to the floor.

In contrast, the department states that the act of simply washing the floor is not a taxable service since the contractor is not “applying or installing tangible personal property” to the floor of the residence. In adopting this interpretation, the department has apparently seized on an ambiguous and we believe fictional distinction between the services of washing and waxing a floor.

However, we believe the department is deliberately misinterpreting the language in the current statute to collect additional sales tax revenue on the services provided by contractors in repairing residential structures and has adopted an interpretation that contradicts the plain and unambiguous language of **K.S.A. 79-6303(p)**. The plain language of **K.S.A. 79-6303(p)** states that “no tax shall be imposed upon the service of installing or applying tangible personal property in connection with the . . . repair or replacement of a residence.”

Under **K.S.A. 79-102**, the terms “real property” and “real estate” include “not only the land itself, but all buildings, fixtures, improvements . . . rights and privileges appertaining thereto.” As a result, once a piece of tangible personal property is applied to the real estate and becomes a “fixture” to the property, that piece of tangible personal property ceases to be personal property and merges with the underlying real estate.

Under the relevant case law, a piece of tangible personal property such as a tile floor becomes a “fixture” and part of the real property (or residence) when it is annexed to the real estate, adapted to the use of the real estate to which it is attached and is intended to be a permanent part of the real estate. *U.S.D. No. 464 v. Porter*, 234 Kan. 690, 695 (1984).

In our opinion, the flooring materials become a fixture to the real estate when they are permanently attached to the real estate as part of the original construction or renovation of the residence. By its very nature, flooring is attached to the real estate, adapted for a specific use in the residence and is intended to be a permanent part of the real estate until it is professionally removed by a contractor.

If you conclude that the flooring is a fixture under Kansas law, then any repair to the floor of a residence (regardless when “tangible personal property” is applied) is a non-taxable service under the plain language in **K.S.A. 79-6303(p)**. In our opinion, the department has no legitimate authority to impose a sales tax on the repair of any item that has been affixed to real property in a residence.

KAR Strongly Believes That Adopting the Department’s Proposal to Remove “Repair” from the Statute Would Further Subvert the Legislative Intent Behind the Provisions of **K.S.A. 79-6303(p)**

As a result, we strongly believe that removing the term “repair” from **K.S.A. 79-6303(p)** would completely subvert the plain meaning of the statute rather than “clarify” the interpretation as the department has curiously suggested. In doing so, the department would expose an exponentially larger number of home repairs to the list of services that can be taxed under the statute.

In 2007, the department attempted to amend another tax bill moving through the Senate Taxation Committee with this amendment to strike the word “repair” from this statute. At that time, the department tried to mislead the committee by stating this was simply a technical amendment, but the “technical” amendment would have increased revenue by several million dollars. In response to our concerns, the Senate Taxation Committee declined to adopt the department’s amendment.

KAR Strongly Opposes the Department’s Proposal in Section 3(q) to Provide the Secretary with Rules and Regulations Authority to Impose Additional Sales Taxes on Kansas Homeowners

Under the language in lines 29 to 33 in Section 3(q) on page 16 of **HB 2549**, the department has requested that the Kansas Legislature grant the department the unlimited rules and regulations authority to unilaterally expand the sales tax to the labor or service of installing any other appliances and fixtures. In general, we are very concerned with any language that would allow the department to impose a sales tax on additional services without the direct approval of the Kansas Legislature.

In our opinion, it is the proper responsibility of the Kansas Legislature to authorize the imposition of any new taxes that would increase the sales tax burden on Kansas businesses and individuals. Allowing an agency to adopt new taxes without the review and approval of the Kansas Legislature would set a very dangerous precedent that would usurp the authority of the Kansas Legislature.

Accordingly, we would request that the House Taxation Committee delete all the proposed language in lines 7 to 40 in Section 3(q) on page 16 of the proposed legislation. This would ensure that the department has no authority to increase the sales tax burden on homeowners by imposing additional taxes on the repair of residential or commercial property. This would also ensure that the Kansas Department of Revenue has no authority to usurp the authority of the Kansas Legislature to enact new taxes on Kansas businesses and individuals.

KAR Strongly Opposes the Department's Proposal to Increase the Sales Tax Burden on Residential Property Owners by Eliminating the Sales Tax Exemption on Residential Utilities and Water Usage

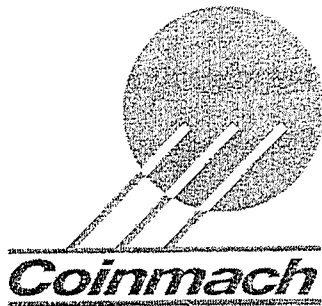
Finally, the department has proposed to increase the sales tax burden on homeowners by eliminating the sales tax exemption on residential utilities and water usage. In FY 2010 and 2011, this would result in an increase in the sales tax burden on homeowners by \$140.28 million and \$146.19 million, respectively. At a time when many homeowners are struggling to stay in their homes due to a loss of employment or drastic change in economic circumstances, we believe it is very bad public policy to increase the state's tax burden on Kansas homeowners.

Although the proponents of this legislation have argued that the provisions of **HB 2549** simply contain the "streamlining" or "elimination" of tax exemptions, the provisions of **HB 2549** would be more fairly and properly characterized as a sales tax increase on Kansas homeowners. In general, we believe that your constituents will see this effort for what it truly is, which is an effort by the Kansas Department of Revenue to increase the tax burden in a difficult economic environment.

Conclusion

If the committee approves this legislation as it is currently written, we believe that homeowners will face an increased tax burden over the next few years that will cause a large amount of economic hardship to the overall Kansas economy. Once again, we would urge the members of the House Taxation Committee to fully understand the tremendous economic harm that these tax increases will cause to the Kansas economy.

For all the foregoing reasons, we would urge the members of the House Taxation Committee to strongly oppose the provisions of **HB 2549** as it is currently written. Once again, thank you for the opportunity to provide comments on **HB 2549** and I would be happy to respond to any questions from the committee members at the appropriate time.



*Keeping America Clean
One Laundry Room At A Time*

My name is Katherine Stockbauer. I am the Kansas City Regional Vice-President for Coinmach Corporation, providing coin-operated laundry equipment for low-income housing, students and senior citizens. I have been in this industry for more than 10 years. It has been my experience and my opinion that taxing coin-operated laundry would cause specific harm to the above-referenced. We at Coinmach have kept the prices as low as we can to cover our costs in the face of sky-rocketing fuel and ever-escalating utility costs. We would have to pass any such taxes on to the folks whom we provide this equipment, at an unaffordable rate. Most of the users of our equipment are living on a shoestring budget. They simply cannot afford any more price increases at this time. I am also concerned that the taxing of this equipment, specific to the lower income, students and seniors may cause health risks among these specific groups. Keeping themselves and their children in clean clothes is mandatory to public health. With any increase in price, with the overloading of equipment, the clothes cannot get clean as they should, allowing the passing of germs. Many would have to go without washing their clothes, sheets and towels at all, causing a severe risk to public health. It would be an undue risk to the health of these specified groups. Any additional tax to this specific industry is an unfair burden and may cause small business owners to close their doors. Community members who can afford home laundry equipment do not pay sales tax to wash their clothes. Again, this tax would be specifically targeted to low-income families, students and seniors. The economy itself is enough burden on these folks, they simply can't afford it.

1632 N. Cornington Avenue, Kansas City, MO 64120
816-483-4300 • 816-483-8909 Fax • 800-854-3070

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Sales Tax & Self-Service Laundries: Fact Sheet

According to Coin Laundry Association (CLA), all self-service laundries should remain exempt from sales tax based on several factors:

- 1) Sales Tax on Self-Service Laundry is a Regressive Tax: Self-service laundries serve low income renters; senior citizens on fixed incomes; students; and others who cannot afford washers and dryers of their own and cannot afford to pay more taxes.
- 2) Sales Tax on Self-Service Laundry is a Tax on a Basic Public Health Service: Self-service laundries provide a basic public health service to the community. Clean clothes are a necessity, not an optional or luxury service. Those families visiting their local laundry each week rely on these services for the health and safety of their families.
- 3) Sales Tax on Self-Service Laundry is Un-collectable: Nearly every self-service laundry is equipped to accept payment by quarters only. This makes the collection of this type of tax nearly impossible. The removal of this exemption would essentially result in a gross receipts tax on the small business owners operating laundries.
- 4) Sales Tax on Self-Service Laundry is the Exception to the Rule: Only six (6) states assess sales tax on self-service laundry. These states include: Hawaii, Iowa, West Virginia, New Mexico, Rhode Island, and South Dakota. Repealing the exemption would place this state among the very small minority of states assessing this tax.
- 5) Sales Tax on Self-Service Laundry is an Unfair Tax: Operators of self-service laundries pay sales tax upon purchase of their equipment and pay taxes on all utilities provided to customers. They simply make the equipment available to their customers who provide the labor on a self-service basis. Those members of the community who can afford home laundry equipment do not pay sales tax to wash their clothes.

Coin Laundry Association (CLA) is a not-for-profit trade association representing the self-service laundry industry since 1960.

3021 International Street, Columbus, Ohio 43228
Phone - 800-562-4516 • Fax - 614-529-5386



THE CHAMBER
Greater Kansas City Chamber of Commerce

Testimony to House Taxation Committee on HB2549
Robert Vancrum, Government Affairs Consultant
The Greater Kansas City Chamber of Commerce

In Opposition to changes in sections KSA 79-3603 (p) and (q)

February 15, 2010

Chairman Carlson and Other Honorable Representatives:

On behalf of the Greater Kansas City Chamber of Commerce and its more than 3000 members who own businesses in Kansas, we oppose the removal of the exemption of labor services for residential property found in KSA 79-3603 (p) and the repeal of the exemption on services provided in repairing, servicing, altering or maintaining tangible personal property connected with or built into real estate or the area surrounding it as found in KSA 79-3603 (q). Such a repeal not only hurts the purchaser of such services and the small businesses that provide the services, it often is a business to business service the taxation of which has a compounding effect running through the economy. A perfect example is (p). You may think this only applies to repairmen who call on consumers, but it includes repairs on any rental residential property and motels and hotels as well.

To characterize (q) as only applying to maintenance or janitorial services is also misleading. It applies to repairs and installations of lighting fixtures, HVAC equipment, freezers, refrigerators, appliances of all kinds upon or near real estate. It clearly applies to commercial as well businesses and properties, including restaurants, hotels, motels, office buildings and manufacturing facilities. I'd also like to call your attention to an extraordinary delegation of legislative power found at line 29 of page 16 :

The department may adopt rules and regulations that

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add to this list of fixtures and appliances or that explains the application of sales tax to the list of fixtures or appliances described in this subsection if determined that such additions or explanations are necessary for the proper administration of the Kansas retailers' sales tax act.

In short, the Department may add anything it wants to the list of appliances and fixtures the installation or repair of which would be taxable! That does not add to the stable tax climate that we want for our state and it is not good public policy.

The breadth of this repeal is nearly unprecedented. You should be clearly aware that this effort is likely but the first step down the slippery slope that likely ends up in the taxation of nearly all business and professional services, since if this is passed, there will be MANY cries to the effect of " why do I have to pay sales tax on my services when other businesses are not required to do so. We will have crossed a line that is very hard to distinguish from a lot of software development, computer services, and other high tech businesses generally.

Please don't misunderstand me. GKCCC is not opposed to business bearing its fair share of taxes. In fact, we have for over a decade had a policy to support appropriate revenue enhancements that fund our pro business policy initiatives and are not discriminatory against businesses as opposed to individuals.

I would add that, as an individual tax practitioner I believe that over time ALL states need to be moving *in unison* toward a broadening of the tax base to include more services, but it is economic suicide for a state of small population with nearly half of its population within 50 miles of a bordering state to be among the first to move in this direction.



Since 1894

TESTIMONY

To: House Taxation Committee
Representative Richard Carlson, Chairman

From: John Donley, Assistant Counsel, Kansas Livestock Association

Date: February 12, 2010

Re: HB 2549 – Elimination of certain sales tax exemptions

The Kansas Livestock Association (KLA), formed in 1894, is a trade association representing over 5,000 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, dairy production, grazing land management and diversified farming operations.

Good afternoon Mr. Chairman and members of the Committee. My name is John Donley, and I serve as Assistant Counsel for the Kansas Livestock Association. I appreciate the opportunity to provide written testimony this morning in opposition to HB 2549.

While we recognize the difficulty surrounding the search for a solution for the state's budget situation, we feel that the sales tax exemptions that have been put in place for the agricultural industry are extremely important. Livestock and dairy producers, grain farmers and other "first input" providers in a manufacturing system are price takers, not price setters. Our members have no ability to "pass on" any added expenses, or to "mark up" their product when selling to the next segment of the system. Any additional taxes imposed on our producers become expenses for them to deduct from an already small, or nonexistent, operating margin.

When the Kansas Legislature imposed the first sales tax in 1937, it was clear the tax was meant to be a **retail** tax (collected at the final point of sale), and not to be applied to ingredients or component parts consumed in the production of another product. The law stated the items defined in paragraph (m) "shall be deemed a wholesale sale and shall be exempt from taxation under this act." Unfortunately, many of these clarifying additions to the original wholesale exemptions (including the items mentioned below specifically related to this bill) have been necessary due to governmental interpretations as to what wholesale is and what retail is.

In 2008, Kansas ranked third in the nation in cattle processed (6.5 million head) and third in value of live animals and meat exported to other countries. We have achieved this status, and built a meat packing industry that employs over 18,000 people, because of our ability to add value to beef. To date, Kansas' laws have encouraged this growth; however, any changes to these laws that would put Kansas at a competitive disadvantage to other states and certainly could encourage the migration of this industry away from our state.

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Today, beef is marketed as a brand-name product in convenient, ready-to-eat forms. By adding value, beef is able to demand a higher price at the retail level, ultimately recouping a larger amount of consumer tax dollars. Collecting the tax on beef is done much more efficiently at the retail level rather than throughout the production chain.

There are two changes made in HB 2549 that raise concerns for livestock and dairy producers throughout the state. First, the occasional transfer of titles of motor vehicles due to changing your business structure should not be a taxable event. In these instances, the ownership is generally staying the same, it is just a planning change in how the business may be structured to do business or for estate planning purposes. The removal of the exceptions in K.S.A. 79-3603(o) on page 14 of the bill would create a situation where such restructuring of a business would be a taxable event when the title to a vehicle is transferred due to such restructuring of the business. As stated above, this should not be a taxable event.

Finally, the changes made to K.S.A. 79-3603(p) and (q) on pages 15 and 16 of HB 2549 are drafted in a manner in which they may have an impact on agricultural producers in Kansas. While it appears that the intent is to tax services when repairing residences, the language is drafted in a manner that could be interpreted to apply to the labor services applied to the original construction of a feedyard or other agricultural facility. Specifically, the use of the terms "facility or building" in line 35 on page 16 is concerning. Those terms are not defined in that subsection. The terms are defined in K.S.A. 79-3603(p), but that definition is exclusive to that specific subsection. KLA is strongly opposed to the changes made in subsection (p) and (q) as it could apply to situations regarding necessary maintenance of agricultural facilities for environmental purposes. It is our belief that this should not be a taxable event.

At a time when the agricultural economy of our state is depressed due to market and weather conditions, we urge you to not add another burden to the bottom line of our producers and others involved in any manufacturing business. Thank you for your consideration of our concerns, and we encourage you to oppose HB 2549.

FAMILY LAUNDRIES
PRESIDENT OF MO-KAN CLA

11525 BLUE RIDGE BLVD.
KANSAS CITY MISSOURI 64134
USA

816-761-5990 816-809-8454
FAX: 816-765-1245
QTR_MAN@HOTMAIL.COM

FEBRUARY 10, 2010

To whom it may concern:

This is an email that was forwarded to me from Joe Otto from Overland Park, Ks. I would like this email to put into testimony representing the Self-Serve Laundry industry.

"I will not be able to testify on Friday, February 12 but I wrote this letter to go on record for my absence.

I live in Kansas and own a self-serve laundry in Missouri. I do not see positive results for a sales tax on self-serve laundries. As a owner, I look to possibly expand my business. If this bill passes, I would not consider expanding in the State of Kansas ever!

Thank you,

Joe Otto
Otto-matic Laundry
Overland Park, Ks"

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FAMILY LAUNDRIES
PRESIDENT OF MO-KAN CLA

11525 BLUE RIDGE BLVD.
KANSAS CITY MISSOURI 64134
USA

816-761-5990 816-809-8454
FAX: 816-765-1245
QTR_MAN@HOTMAIL.COM

FEBRUARY 10, 2010

To whom it may concern:

This is an email that was forwarded to me from Keith Collins from Garden City, Ks. I would like this email to put into testimony representing the Self-Serve Laundry industry.

"I will not be able to testify on Friday, February 12 but I wrote this letter to go on record for my absence.

As a self-serve laundry owner I am very concerned about these items. One gets to know the patrons of any business. Many of our customers are either on fixed income, or are low income families who struggle to maintain clean clothing for work and school. For example, in my 27 years experience, I note that the time between Thanksgiving and Christmas two things almost always happen:

First, we experience an approximately 20% reduction in sales. This is a time when families scrimp to provide a good Christmas for their children. Very often a choice has to be made so they cram more clothing into a washer than normal, sacrificing the cleaning process.

Second, we experience higher maintenance costs because of this overloading process.

Each time I am required to raise pricing on my machines, I consider it carefully. I hate the increases because I add to the financial strains to my customers.

As a self-serve laundry owner, I provide machinery through which I resell utilities. What I sell is water, electricity, and natural gas so that my customers are able to clean their clothing, bedding, etc. I already pay city, county, and state sales tax on these items, as well as the machinery in which these utilities are used. When I buy hangers, soap, bags, etc for resell, I buy them tax exempt, then charge sales tax when an item is sold to the consumer.

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The result of the above referenced bills would require that self-serve operators raise prices, and would mean that the utilities would be double taxed.

Please do not double tax the poor and underprivileged. It simply is not just.

Sincerely,

Keith Collins
Prestige Laundry
Garden City, Ks "

Highland Residential Management



P.O.Box 1884, Topeka, Kansas 66601
Telephone 785.272.0965
Fax 785.272.1706

Testimony for Sales Tax Position - February 11, 2010

Chairman of the Committee,

The proposal to add an additional tax to the coin operated laundry business should be declined. This tax would have a severe impact on those who can least afford it. My name is Tom Cooney and our company, Highland Residential Management, oversees the operation of 600 apartment units in the Topeka area. In the past two years we have realized a sharp increase in vacancy due to the poor economy. This tax would be paid by the property owner if it cannot be passed on to our customer, the renter. As bad as I feel we have it, our customers (renters) have had an even harder time. In the past two years I have witnessed the hardship that our customers have faced. In the past they would come in and pay rent on the first of each month. Now they often have to make payments each week. I have seen residents have to cash in their retirement fund in order to live day to day. Others have been forced to move in with family and friends, and some end up homeless. This tax would be a terrible burden on those who have already endured the brunt of this recession.

Thank You For Your Consideration,

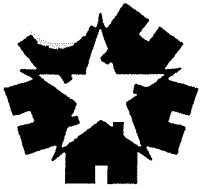
A handwritten signature in black ink that reads "Tom Cooney". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Tom Cooney
President

House Taxation

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**HOME BUILDERS ASSOCIATION
OF GREATER KANSAS CITY**



600 EAST 103RD STREET • KANSAS CITY, MISSOURI 64131-4300 • (816) 942-8800 • FAX (816) 942-8367 • www.kchba.org

**Written Testimony on HB 2549
By Phil Perry, Staff VP Government Affairs
House Committee on Taxation
February 15, 2010**

Chairman Carlson and members of the committee, thank you for the opportunity to speak to you today concerning HB 2549. The Home Builders Association of Greater Kansas City, representing nearly 900 companies in the Greater Kansas City area, the majority of which are small businesses, would like to oppose Sec. 3, paragraphs (p) & (q) of HB 2549.

By removing tax exemptions for the services of repairing, servicing, altering or maintaining and expanding the types of services to be included, will put our Kansas based businesses at a competitive disadvantage with companies based in Missouri. No such tax exists across the state line and we strongly believe that changes will strongly affect small businesses at a time when they are already fighting to stay in business. These changes may also force many small businesses to relocate to the Missouri side of the metropolitan area so that they may remain competitive.

Additionally, we are concerned that this initial change may lead to the removal of sales tax exemptions on all services in the State of Kansas. That change would lead to increased pricing for the residents of Kansas and in this extremely competitive market force companies across the state line or make them reconsider relocating to the State of Kansas.

We appreciate the work you are doing in these extremely difficult economic times, but we urge you to remember that small businesses have always been the foundation of our economy and are the leading force in our recovery. Once again, we strongly urge you to remove these two sections from HB 2549.

Do Business With A Member

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Statement of Kansas Building Industry Association

To the House Taxation Committee

Representative Richard Carlson, Chair

Regarding H.B. 2549

February 15, 2010

Chairman Carlson and members of the House Taxation Committee, thank you for the opportunity to comment on behalf of the Kansas Building Industry Association in opposition to the provisions of HB 2549.

KBIA is the state trade and professional association of the residential construction industry in Kansas, with approximately 2300 members.

KBIA opposes the elimination the word "repair" in Section 3(p) on Page 15 of H.B. 2549, which would impose a sales tax increase on the repair of residential property.

K.S.A. 79-3603(p) provides that no sales tax "shall be imposed upon the service of installing or applying tangible personal property in connection with the original construction of a building" or the "original construction, reconstruction, restoration, remodeling, renovation, repair or replacement of a residence." Homeowners are not currently not required to pay a sales tax on the value of any labor or services provided by a contractor to repair a residence.

However, under the language in Section 3(p) in line 11 on page 15 of HB 2549, the Kansas Department of Revenue has proposed to strike the term "repair" from the provisions of K.S.A. 79-3603(p) and impose a sales tax on the labor provided during the course of the repair of a residence. If passed, we believe the proposed changes will result in a substantial increase in the sales tax burden on Kansas families and

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homeowners, that will negatively impact their ability to maintain and improve their homes.

An economic analysis was completed by our national economics staff in December which will be of interest to the Committee and accompanies this statement. This analysis was done in part for the Housing Affordability Task Force which we convened to discuss issues negatively impacting housing affordability in Kansas. Attached to this statement is a document from the analysis which shows the numbers of families in Kansas that are "priced out" when costs are increased by \$1,000. There are numerous regulatory burdens and proposals currently, including this bill, which would "price out" many Kansas families from owning or maintaining a home.

When families are unable to purchase or maintain their homes, there is a dramatic negative impact not only on our industry, but on the Kansas economy and state and local government revenues. KBIA urges the Committee to not pass H.B. 2549.

Chris Wilson, Executive Director
KS Building Industry Association
212 S.W. 8th Avenue, Suite 201
Topeka, KS 66603
785-232-2131 phone
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785-844-0274 cell

chris@kansasbuilders.org
<http://kansasbuilders.org>

State of Kansas Priced-Out Analysis

Area	Mortgage Rate	House Price	Monthly Mortgage Payment	Taxes and Insurance	Minimum Income Needed	Households That Can Afford House
Kansas	5.0%	\$95,000	\$483	\$163	\$27,686	802,341
Kansas	5.0%	\$96,000	\$488	\$165	\$27,977	798,674
Difference		\$1,000	\$5	\$2	\$291	-3,667
Kansas	5.0%	\$151,517	\$770	\$260	\$44,156	597,611
Kansas	5.0%	\$152,517	\$775	\$262	\$44,448	594,288
Difference		\$1,000	\$5	\$2	\$291	-3,323
Kansas	5.0%	\$253,473	\$1,288	\$435	\$73,869	332,259
Kansas	5.0%	\$254,473	\$1,293	\$437	\$74,160	330,008
Difference		\$1,000	\$5	\$2	\$291	-2,251

HEARING 2-12-10

JIM COCHRAN
SEDGWICK COUNTY

1. HERE ON THE BEHALF OF MULTIPLE NON- PROFIT BINGO LICENSE HOLDERS, CURRENTLY HOLDING BINGO GAMES IN SEDGWICK COUNTY.
2. THESE BINGO LICENSED ORGANIZATIONS ARE ALL NOT FOR PROFIT AND HAVE 501C3 TAX EXEMPT STATUS FROM THE I.R.S.
3. THE BINGO GAMES CONDUCTED BY THESE GROUPS ARE OPERATED BY NON-PAID VOLUNTEERS WHO BELONG TO THE GROUP.
4. THESE GROUPS ALL PROVIDE COMMUNITY SERVICE AND SUPPORT WHICH IS NOT AT TAX PAYERS EXPENSE. IE. LITTLE LEAGUE HOCKEY, KNIGHTS OF COLUMBUS AND OTHERS.

TAXES

1. IN 2000, IN ORDER TO INSURE THE CORRECT AMOUNT OF TAX WAS COLLECTED, THE STATE CHANGED THE WAY SALES TAX WAS CHARGED AND COLLECTED FOR BINGO GROUPS. THIS CHANGE EXEMPTED THEM FROM SALES TAX AND REPLACED IT WITH A BINGO PAPER TAX THAT IS COLLECTED FROM THE GROUPS AND PAID TO THE STATE BY THE DISTRIBUTOR THAT SELLS THE GROUP THEIR BINGO PAPER. THE KANSAS DEPT OF REV NOW PROCESSES 15 REPORTS FROM BINGO DISTRIBUTORS WHERE IT WAS PROCESSING 600 SALES TAX REPORTS FROM BINGO GROUPS. THIS HAD TO BE A SUBSTANTIAL SAVINGS TO THE STATE.

IN CLOSING

ALL BINGO GROUPS ARE CURRENTLY BEING TAXED. BE IT A SALES TAX OR A BINGO PAPER TAX THE AMOUNT OF MONEY COLLECTED IS ABOUT THE SAME, BUT THE SAVING CURRENTLY BEING GAINED BY THE REDUCTION IN FORMS TO PROCESS WOULD BE LOST.

House Taxation
Date: 2-15-10
Attachment: 25