

## MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on March 15, 2007 in Room 519-S of the Capitol.

All members were present except:

Representative Richard Carlson- E  
 Representative Paul Davis- E  
 Representative Gary Hayzlett- E

Committee staff present:

Chris Courtwright, Legislative Research Department  
 Martha Dorsey, Legislative Research Department  
 Gordon Self, Office of Revisor of Statutes  
 Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Secretary Wagon, KDOR

Others attending:

See attached list.

The Chairman invited Secretary Wagon to the podium to present a briefing on Sales Tax Exemptions (Attachment 1).

Secretary Wagon, KDOR, presented the background on the Hodge Commission recommendations, made in 1970, regarding an extensive revision on the sales tax exemptions.

She stated that the current trend is to approve every request, thus narrowing the tax base. The other problem that arises with the current practices of approving any and all who come forth, is the lack of consistency in state policy.

She proposed that the Committee may want to consider a new policy direction, and at the Chairman's request she has analyzed the current exemptions and provided some generic criteria that the legislature could consider to reverse this current practice.

The first step is figuring out what should be exempt.

The second is determining whether to exempt purchases only, or also sales, and things purchased by a contractor or similar on their behalf.

She proposed the following legislation:

- 1) This would apply to organizations that are recognized by the IRS as 501c3, and are registered with the Secretary of State.
- 2) The Revenue Department would need authority to promulgate rules and regulations on how agencies apply for exemptions, and how those exemptions are reviewed, and appealed.
- 3) Statute should give the authority to KDOR to issue an exemption based on the generic description of the kind of organizations and services that would be exempted.
- 4) In most cases, only purchases by the agency would be exempt; not things they sell.
- 5) She provided a list of suggested organizations to be included in the approved list:
  - Health Organizations \*
  - Adoption and Foster Care Providers
  - Aging Services \*
  - Disability Services \*
  - Housing
  - Child & Family Welfare Agencies \*
  - Food Banks and Food Programs
  - Domestic Violence programs \*
  - Drug Abuse and Alcoholism Addiction Services \*
  - Homeless Assistance \*

## CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on March 15, 2007 in Room 519-S of the Capitol.

Youth programs  
Zoo and Animal Shelters  
\* **purchases only**

She provided a list of organizations the Committee might want to exclude. Included in her testimony was a list of all statutes, descriptions of exemption or exclusion, date of recent revision, and percentage and dollar amounts for each statute.

Discussion followed regarding procedure options for the Committee's consideration. They could craft a new bill, or leave exemptions as they stand. With a show of hands, most Committee members voted to undertake a review and possible major revision of the current tax exemption laws. The Chairman advised that they would return to the subject at a later date.

A copy of the **Substitute for House Bill 2430** was distributed to the Committee (Attachment 2).

The meeting was adjourned at 9:55 a.m. The next meeting is March 16, 2007.