



Kansas Society of Professional Engineers

A state society of the National Society of Professional Engineers

Testimony of Kansas Society of Professional Engineers

By Ron Gaches, Executive Director

In Opposition to SB 376: Concerning Taxation

Senate Tax Committee

Wednesday, March 7, 2012

Thank you Chairman Donovan for the opportunity to share with your committee the concerns of the Kansas Society of Professional Engineers regarding the impacts of Senate Bill 376. I am Ron Gaches, executive director for the Kansas Society of Professional Engineers.

Senate Bill 376 constitutes the most substantive revisions of Kansas sales tax law that I've seen in my 30 plus years of working with the Kansas Legislature. It proposes a dramatic expansion of the sales tax base through elimination of most of the exemptions currently provided for in statute and a corresponding reduction in the state sales tax rate.

For some taxpayers currently paying the state sales tax the reduction in the tax rate will be a benefit. But for other taxpayers whose activities are currently exempt from sales taxation the proposed 3.15% sales tax burden will become an unacceptable obstacle to performing work in Kansas. The Kansas Society of Professional Engineers believes that is the case with professional services in general, and consulting engineering and architecture services specifically.

The Kansas City metro area is home to one of the largest concentrations of professional design services of any metro area in the world. There are literally thousands of Professional Engineers performing engineering services in the Kansas City metro area and more than 5000 Professional Engineers performing engineering work at offices located throughout Kansas. Much of the work in the Kansas City area is performed in Kansas where several of the largest consulting engineering firms in the world are located. Virtually all of these firms have offices on both sides of the state line in the Kansas City metro area, and they can move work back and forth between these offices and others around the country or world effortlessly.

Senator Kelsey has tried to alleviate our concerns by keeping a business-to-business exemption for professional services. But the majority of consulting engineering work conducted in Kansas is performed for government clients. Power plants, airports, schools, libraries, buildings, sports arenas, roads and bridges are all designed in Kansas for locations throughout the United States and the world. It is our opinion that subjecting that work to a state sales tax of any amount will move the work out of Kansas.

Further, eliminating the sales tax exemption currently enjoyed by the state and local units of government simply makes no sense. Why should local government increase its expenditures to pay the state sales tax for professional services? Taxpayers are taxpayers. Local units of government are simply tax collectors. The ultimate tax payers are Kansas citizens. Why collect the state sales tax on local government projects? It would be more efficient to keep the sales tax exemption in place for local government and collect state taxes at the rate necessary to meet state needs.

The bill will also prevent Kansas from transitioning its economy to capture the opportunities of the digital age. The taxation of telecommunications services (pages 14-15) and the taxation of digital services (pages 19-20) will stifle innovation of emerging technical industries, including engineering services.

The members of KSPE urge you to maintain the current exemption for professional services and oppose efforts to subject new and emerging technical services to the state sales tax.