

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

The meeting was called to order by Chairman Edmonds at 9:00 a.m. on February 6, 2002 in Room 519-S of the Capitol.

All members were present except: Representative Cook, excused  
Representative Mays, excused

Committee staff present: Chris Courtwright, Legislative Research Department  
April Holman, Legislative Research Department  
Don Hayward, Revisor  
Winnie Crapson, Secretary

Conferrees appearing before Committee: Representative Bethell  
Representative Flaherty  
Ron Hein, Kansas Hearing Aid Association  
Larry Baer, Kansas League of Municipalities

Others Attending: See attached list.

Without objection bill will be introduced at the request of Representative Aurand that would shift tax load, increasing sales tax, reducing statewide mill levy, and increasing the sales tax rebate for food and medicine and is intended to be revenue neutral. [HB 2788 - State tax system restructuring].

Without objection bill will be introduced at the request of Representative Tafanelli for property tax exemption for community housing development organizations. [HB 2786 - Property tax exemption for community housing development organizations]

Without objection bill will be introduced at the request of Representative Rehorn that would amend K.S.A. 79-2401 relating to redemption of real estate on which taxes are delinquent [HB 2785 - Redemption of real estate bid off by county, repealing Wyandotte County exception]

**Hearing was opened on**  
**HB 2265 - Sales tax exemption for hearing aids.**

Representative Edmonds called the attention of the Committee to the Memorandum from Chris Courtwright, Legislative Research, advising that the fiscal note has been revised downward. After reviewing data from the industry and other sources, the Department of Revenue has now indicated that the first year fiscal note would be in the neighborhood of \$0.162 million.

Representative Flaherty testified in support of the bill (Attachment #1), stating that it addresses an inequity in sales tax payments by purchasers of hearing aids and represents a very small revenue source for the state. Under current law purchasers without a prescription pay sales tax but those with a prescription do not.

Ron Hein, Legislative Counsel for the Kansas Hearing Aid Association, testified in support of the bill (Attachment #2). Under the current practice most people who purchase hearing aids already have either been referred by a physician, or when a customer comes directly it is suggested to them by the dispenser that they can receive the sales tax exemption by contacting a physician for a prescription. Hearing aid dispensers and audiologists are both permitted by law to conduct hearing tests that would ascertain hearing loss that would warrant a hearing aid. Mr. Hein told the committee that if a person is suffering from hearing loss as the result of age or other non-medical issues it does not make sense to force that person to make an appointment with a doctor simply for the purposes of getting a prescription to avoid paying sales tax on the hearing aid.

In response to questions Mr. Hein stated the range of prices for hearing aids was from \$600 to \$2,400 and that the sales tax exemption would also apply to batteries and replacement parts.

The hearing on **HB 2265** was closed.

## CONTINUATION SHEET

**Hearing was opened on HB 2654 - Wheat Bowl, Inc. sales tax exemption.**

Representative Edmonds called attention to information from the Budget Director that the Fiscal Note would be \$5,000.

Representative Bethell presented testimony in support of the bill (Attachment #3). He explained that the Wheat Bowl is the only pre-season football contest sanctioned by the NAIA and has now been in existence for over five years. The Wheat Bowl each year picks representatives from Kansas and surrounding states to participate. Due to a ruling of the Kansas Department of Commerce and Housing any grants that are awarded need to have private funds that can be used as leverage, and current fundraising efforts do not qualify the Wheat Bowl for any tourism funding. They have been told that they have to have a running balance to receive grants. The bill is requested to give some relief to the Wheat Bowl in their efforts.

Hearing was closed on **HB 2654**.

**Hearing was opened on****HB 2201 - Sales and transient guest tax exemption for Mid-America Association for Computers in Education.**

Steve Schuler, representing Mid-America Association for Computers in Education, presented oral testimony in support of the bill. MAACE was formed in 1952 to help with education of classroom teachers in use of computers. Since that time two training sessions have been held each year. The organization consists of everyone who comes to the conferences. The all volunteer Board of Directors consists of fifteen people.

Their main source of income and revenue is the \$100 fee charged to come to conferences where teachers receive hands-on training. MAACE pays about \$2,500 or \$3,000 a year in sales and the transient guest tax for hotel rooms provided for the presenters. The sales tax is paid on food, conference supplies, and internet access. Their gross revenues throughout the year are about \$60,000 for about 300-400 teachers coming to each conference. The teachers pay \$100 and are provided with two days of conference and one meal. Most of the teachers are funded by their schools through their general budget for in-service and training.

In response to questions Mr. Schuler said that conference prices have not been raised for ten years and they are trying to find ways to offer that same product without increasing their costs.

Larry Baer of the Kansas League of Municipalities testified in opposition to **HB 2201** (Attachment #4). He stated the transient guest tax is a purely local tax, not to exceed two percent, that has been adopted by many cities with hotels and motels. The tax is imposed and spent purely locally except for the portion retained by the state for administration. Local adoption requires an election and is used for the promotion of convention and tourism in the local community based upon recommendations of a committee statutorily required. He noted there are currently no exemptions to the transient guest tax and that neither cities, the state nor school districts are exempt from this tax. The League questions whether it is good public policy reason for the exemption.

The hearing on **HB 2201** was closed.

The committee discussed **HB 2654** - Wheat Bowl Inc. sales tax exemption.

**Representative Sharp moved, Representative Osborne seconded, that HB 2654 be reported favorable for passage. Motion was adopted.**

The committee discussed **HB 2265** - Sales tax exemption for hearing aids.

**Representative Larkin moved, seconded by Representative Gilbert that the bill be amended to reflect the current year. Motion carried.**

**Representative Larkin moved, seconded by Representative Osborne, that HB 2265 be reported favorable for passage as amended.**

CONTINUATION SHEET

Representative Sharp said while something needs to be done, she believes education of hearing aid purchasers is the biggest issue, not the sales tax, and that those selling hearing aids seem to be working with the doctors.

**Representative L. Powell moved, Representative Howell seconded, that HB 2265 be tabled. Motion failed.**

**Representative Larkin's motion to report HB 2265 favorable for passage as amended was adopted.**

The meeting adjourned at 9:50 a.m.

The next meeting of the Committee will be February 7.