

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

The meeting was called to order by Chairman Edmonds at 9:00 a.m. on March 13, 2002 in Room 519-S of the Capitol.

All members were present.

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

Conferrees appearing before the Committee:

Representative Aurand
Representative Cook
Representative Feuerborn
Representative Rehorn
Representative Sloan
Duane Goossen, Director of the Budget
Dan Hermes, Kansas Alcohol and Drug Service
Providers Association
Leslie Kaufman, Kansas Farm Bureau
Mike Beam, Kansas Livestock Association
Mark Tallman, Kansas Association of School Boards
Karl Peterjohn, Kansas Taxpayers Network
Don Denney, Wyandotte County Administrator's office
Mike Rundle, Mayor of Lawrence
Charles Jones, Douglas County Commission
Kelvin Heck, Lawrence Chamber of Commerce
Larry Paine, City of Baldwin
Mike Worswick, Wolfe's, Topeka
Tom Whitaker, Kansas Motor Carriers Association
Tom Palace, Petroleum Marketers & Convenience Stores
Ron Hein, R. J. Reynolds Tobacco Company

Others Attending: See attached list

Hearing was opened on

HB 2827 - Sales tax exemption for certain substance abuse prevention service providers.

Dan Hermes presented testimony in support of **HB 2827** on behalf of the Kansas Alcohol and Drug Service Providers Association (Attachment #1). Mental Health provides are already tax exempt. Providers doing the same service. In effect when state provides them the same rate sometimes \$28 their case management is basically operating at a 6% discount. Bill to correct that inequity.

Hearing on HB 2827 was closed.

Hearing was opened on

HB 3011 - Retailers' sales tax; Anderson County jail.

Representative Feuerborn presented the request to allow Anderson County Commissioners to put on the ballot a sales tax to build a new jail.

Hearing on HB 3011 was closed.

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Consideration of HB 2804

Representative Huff moved, Representative Owens seconded, to recommend HB 2804 - School district finance; teacher benefit and classroom enhancement favorable for passage.

Representative T. Powell moved, Representative Wilson seconded, substitute motion that HB 2804 would apply only to those districts who had reached their maximum local option budget. Substitute motion was adopted.

Representative Cook moved, Representative Mays seconded, to amend HB 2804 as follows:

Add the following language in line 33, page 1, following Sec. 1 (b) and in line 36 page 2, following Sec. 4(a)(2):

Except as provided further, in any election held pursuant to this section, no school district funds shall be expended to promote or reject such budget adoption. The school district may print and distribute a two-page informational document concerning such election 14 days prior to the date of the election.

Add the following language as Sec. 5, line 14 page 5:

No school district may decrease the amount paid for the salaries and benefits for teachers from the operating budget unless the entire budget is decreased in the same percentage amount.

"Sec. 5", line 14 page 5 becomes Sec. 6.

Discussion followed.

HB 2804 was withdrawn from consideration.

Hearing was opened on HB 2788 - State tax system restructuring.

Representative Aurand said the purpose of introducing **HB 2788** was to provide some proposals for consideration to increase revenue due to the budget. He answered questions from the committee as to what the effect of these changes would be.

Leslie Kaufman presented testimony on behalf of the Kansas Farm Bureau (Attachment #2) in support of two provisions of **HB 2788**: section 1(b) on page 1, lines 30-32 and section 6 on page 4 lines 38 through page 5 line 6. She said the provisions cited are consistent with their long held position of supporting increased reliance on sales and income tax and reducing the reliance on the property tax. She called attention to the policy statements provided in the testimony.

Mike Beam presented testimony on behalf of the Kansas Livestock Association in support of **HB 2788** (Attachment #3). He testified their members believe the property tax system is largely antiquated because it is a nineteenth century concept, when land ownership was more of a reliable indicator of wealth or of a taxpayer's ability to pay and is a product of the days when our economy was based largely on agricultural activity.

Mark Tallman presented testimony on behalf of the Kansas Association of School Boards in opposition to **HB 2788** (Attachment #4). He said they understand the bill is designed to be revenue neutral but that the Association believes the most important need for an increase in sales tax is to help the state address the current budget shortfall, and the most critical property tax issue in school finance is not the statewide mill levy but is the local option budget. It is their position that if the sales tax increase were to increase the base budget per pupil to an adequate level, local option budgets can be reduced and property taxes will also be reduced.

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Written comments were provided from Karl Peterjohn on behalf of the Kansas Taxpayers Network in opposition to **HB 2788** (Attachment #5).

Hearing was closed on **HB 2788**.

Hearing was opened on

HB 2785 - Redemption of real estate bid off by county, Wyandotte County.

Representative Rehorn presented testimony in support of the bill (Attachment #6), explaining that under the provisions of current Kansas law 103 Kansas counties can apply the payment of delinquent property taxes to the oldest tax year. In Wyandotte County and Johnson County the payment is applied to the most recent tax year. Wyandotte County is requesting this legislation to allow them to apply the redemption payments to the oldest tax year.

Don Denney, Wyandotte County Administrator's Office provided comments in support of the bill.

Hearing was closed on **HB 2785**.

Hearing was opened on

HB 2828 - Douglas County authorized to impose sales tax for industrial and recreational park purposes.

Representative Sloan presented a letter on behalf of the Douglas County legislative delegation in support of **HB 2828** (Attachment #7). They explain that the bill is a result of work of Douglas County Commissioners, Lawrence City Commissioners, and interested citizens on a proposal to increase the county's public recreation and industrial park acreage.

Mike Rundle, Mayor, provided testimony on behalf of the City of Lawrence in support of the bill (Attachment #8). He said at its March 5, 2002 meeting the Lawrence City Commission unanimously agreed to support the bill with suggested amendments which were provided with his testimony. One of the amendments was to remove Section 3 allowing the County to keep all of the sales tax revenue which will allow all cities within Douglas County to share in the revenue from the tax if it is approved by the voters. He described the support of studies by the Lawrence Chamber of Commerce on the importance of open space preservation.

Charles Jones presented a letter from the Chairman of the Douglas County Commission in support of **HB 2828** (Attachment #9). The County Commission concurs in deletion of Section 3 allowing all cities in the County to share in the revenue.

Kelvin Heck presented testimony on behalf of the Lawrence Chamber of Commerce in support of the bill (Attachment #10). Mr. Heck served as chair of the ECO2 Task Force of the Chamber and described their studies which resulted in request for this legislation.

Larry Paine, Administrator of the Baldwin City, provided oral testimony in support of the bill and the proposal to allow cities to share in the revenue, describing business activities and growth in Baldwin City.

Hearing on **HB 2828** was closed.

Hearing was opened on

HB 2834 - Temporary sales tax exemption for sales of personal computers.

Representative Cook presented testimony in support of **HB 2834** (Attachment #11). She said it is modeled after legislation in Pennsylvania that allows two weeks each year as sales tax holidays for the purchase of personal computers, peripheral devices, or internet access devices for non-business use.

CONTINUATION SHEET

She testified economic studies show that one of the most significant recent declines is in technology investment and outlined benefits from this bill, including the fact that individuals delaying a computer purchase will have a strong reason to go ahead and make the purchase. Representative Cook said she would like to work with the Department of Revenue on the fiscal note attempting to factor in extra income from computer purchases.

Mike Worswick of Wolfe's, Topeka, provided oral comments. He said he was here not only because he sells computers but also because he is active in the economic committee of USD 501 working with low income households.

Hearing was closed on **HB 2834**.

Hearing was opened on
HB 2805 - Revenue enhancements for the financing of state government.

Duane Goossen, Director of the Budget, explained that this is the third of three major tax bills this committee has considered, representing a compilation of the Governor's tax proposals. He provided the history of the budgeting process beginning with the Governor's budget presented in January (the Green Book budget). He explained the provisions of **HB 2805** and reviewed the economic situation including the recent revenue forecast.

Mr. Goossen responded to questions. He discussed possible cuts, possible further revenue requirements for SRS and the programs involved, and implications for the highway program. He responded to questions about possible loss of matching federal funds. He said the list of highway projects that were identified as possibilities to be eliminated was prepared by the Secretary of Transportation.

He said with reference to SRS that as a policy there were some aspects of the medical and medicaid expenditures not absolutely required by federal government and appropriate committees, including Ways and Means, are looking at that in some detail and that although it is true that not all those are required, it would be very difficult to undo some of them, such as the pharmacy program.

At the request of Committee members he described the budget process. Agencies are asked to submit a "current service" budget, a "reduced circumstances" budget, and have the ability to ask for what is called an "enhancement" request. He explained that expenditure for General Government (legislative, Governor, judicial, etc.) is just under \$200 million from state general fund..

Chairman Edmonds thanked the Director for appearing to provide information to the Committee.

Tom Whitaker presented testimony on behalf of Kansas Motor Carriers Association in opposition to the motor fuel tax provisions of **HB 2805** (Attachment #12), and explained its probable effect on the motor carrier industry. In response to questions he said the Association supported the transportation plan

Tom Palace presented testimony on behalf of the Petroleum Marketers and Convenience Store Association of Kansas in opposition to the motor fuel and cigarette tax provisions of **HB 2805** (Attachment #13).

Ron Hein presented testimony on behalf of r. J. Reynolds Tobacco Company in opposition to the provisions to increase taxes on cigarettes contained in **HB 2805** (Attachment #14).cigarette#14 - comments in appearing in opposition to 2805.

Written testimony on behalf of the Kansas Taxpayers Association in opposition to **HB 2805** was presented by Karl Peterjohn (Attachment #15).

Hearing was closed on **HB 2805**.

The meeting adjourned at 11:05 a.m. The next meeting is March 14.