

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Vice Chairman Huff at 9:00 A.M. on February 16, 2005 in Room 519-S of the Capitol.

All members were present except:

Representative Kenny Wilk- excused  
Representative Nancy Kirk- excused

Committee staff present:

Chris Courtwright, Legislative Research Department  
Martha Dorsey, Legislative Research Department  
Gordon Self, Revisor of Statutes  
Mark & Steve Department of Revenue  
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Representative Goico  
Representative Davis  
Representative Thull  
Pat Gallagher, West Sedgewick County Sunrise Rotary Club  
Michael D. Pepoon, Director, Government Relations, Sedgewick County (no written testimony)  
Sue Blechl, Emporia Public Library & Friends of Kansas Library (FOKL)  
Carolyn Little, Vice President, FOKL  
Bill Hampel, Hampel Oil, Wichita  
Marvin Spees, Capital City Oil, Topeka

Others attending:

See attached list.

**HB 2219 - Sales tax exemption for project of West Sedgewick County Sunrise Rotary Club**

Mr. Courtwright stated that the bill would add a new sales tax exemption for sales on the purchase of material and labor by the West Sedgewick County Sunrise Rotary Club in Wichita for the purpose of constructing a boundless playground and integrated barrier free and developmentally advantageous play environment for children of all abilities and disabilities. The fiscal note indicates the amount of revenue lost would be minor.

The Vice Chairman opened the public hearing on **HB 2219**.

Representative Goico rose in support on **HB 2219** stating that the project is a community effort that would construct this unique playground on 27,000 square feet of land within Sedgewick County Park, immediately adjacent to the Sedgewick County Zoo. This tax exemption would reduce the amount of money that would have to be raised (Attachment 1). At the present there is an old unsafe playground on the site that the county would have to demolish.

Pat Gallagher, Centennial Project Chair for the West Sedgewick County Sunrise Rotary Club, testified to the benefits of the proposed playground that has been developed by the National Center for Boundless Playgrounds that specialize in the design of fully integrated, universally accessible play environment for children of all abilities, with special emphasis on children with cognitive, developmental and physical disabilities (Attachment 2). The scope of the project is \$1.3 million and if the playground were being built with county tax dollars, the equipment and materials would already be exempt.

Michael D. Peppon, Director, Government Relations - Sedgewick County appeared in support of **HB 2219**. He stated that this was a great cooperative effort between the county and city and he urged favorable consideration of the bill (no written testimony).

There being no other conferees Vice Chairman Huff closed the hearing on **HB 2219**.

**HB 2221- Sales tax exemption for sales by public libraries and support organizations**

## CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on February 16, 2005 in Room 519-S of the Capitol.

Mr. Courtwright stated that bill would allow property sold by libraries and their support organizations, i.e., Friends of the Library, to be exempt from sales tax. The fiscal note would be less than \$50,000 annually.

The Vice Chairman opened the public hearing on **HB 2221**.

Carolyn Little, Vice President, Friends of Kansas Library (FOKL) testified that removing taxation on funds generated from activities of support groups would allow public support of library activities to remain in the local library, perhaps for purchase of additional reference materials, a computer, or a microfilm reader/printer (Attachment 3). The requirement to collect and file taxes are an administrative hardship in many of the smaller libraries and may impinge on the groups' ability to recruit willing volunteers.

Sue Blechl, Emporia Public Library & Friends of Kansas Library (FOKL) stated volunteer groups of Friends of the Library support libraries in several ways; Advocacy and marketing, programming, volunteers, and fund-raising. i.e., used books sales, bake sales (Attachment 4).

Discussions followed regarding the tax status of libraries, process of collection of sales, and the definition of an isolated event means that there is no more than one sale a year for non-profit organization.

There being no other conferees Vice Chairman Huff closed the hearing on **HB 2221**.

### **HB 2220 - Sales tax exemption for cleaning and reconditioning storage and transport petroleum drums.**

Mr. Courtwright would propose to add a sales tax exemption for all sales of tangible personal property and services used or consumed relative to the cleaning and reconditioning of petroleum industry drums used to store, transport and sell liquid petroleum products or lubricants. The fiscal note indicates a loss in sales tax receipts of \$100,000 FY 2006.

The Vice Chairman opened the public hearing on **HB 2220**.

Bill Hampel, Hampel Oil, Wichita rose in support of HB 2220. He explained the reconditioning process of 55 gallon drums that is an essential part of the process of delivering their products (Attachment 5). They determined the price based on their cost. He described four components that are used to figure that cost. They add a percent for profit to arrive at the consumer's cost. The sales tax is figured on that price, and paid by the consumer. Of all the four components that go into the finished product, i.e., product, freight, labels and reconditioning charge the only one that is taxed in Kansas is the reconditioning charge. He believed that is a case of double taxation and the amount of \$.53 is added for each barrel sold.

Marvin Spees, Capital City Oil, Topeka testified that **HB 2220** would rectify what they believe to be an unfair collection of a double tax (Attachment 6). He appeared stating that there are two issues involved regarding the core of the drum as well as the reconditioning charge. At Secretary Wagnon's recommendation they appeared before the Committee to request a specific exemption. Mr. Spees recalled that Secretary Wagnon stated that her office would not oppose the exemption.

Discussion followed regarding the current laws in Oklahoma, the accuracy of the fiscal note, and the process of taxation when the ownership of product changes.

There being no other conferees, Vice Chairman Huff closed the hearing on **HB 2220**.

The meeting adjourned at 10:30 a.m. The next meeting is February 17, 2005.