

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Richard Carlson at 9:00 a.m. on March 3, 2009, in Room 535-N of the Capitol.

All members were present.

Committee staff present:

Gordon Self, Office of the Revisor of Statutes
Scott Wells, Office of the Revisor of Statutes
Hank Avila, Kansas Legislative Research Department
Chris Courtwright, Kansas Legislative Research Department
Kathy Beavers, Committee Assistant

Conferees appearing before the committee:

Representative Virgil Peck
Richard Cram, Kansas Department of Revenue
Mark Tallman, Kansas Association of School Boards
Larry Baer, League of Kansas Municipalities
Representative Elaine Bowers

Others attending:

See attached list.

Representative Carlson announced the names of the sub-committee appointed to study **HB 2150**. They are:

Representative Jeff King, Chair
Representative Mario Goico
Representative Sharon Schwartz
Representative Melody McCray-Miller
Representative Larry Powell

HB 2328 - Sales tax holiday providing exemption for certain purchases of school supplies, computers and clothing.

The Chairman opened the hearing on **HB 2328**.

Chris Courtwright, Legislative Research Department, briefed the committee on **HB 2328**. Chris Courtwright provided information to the members on states that have a tax holiday and stood for questions (Attachment 1).

Representative Virgil Peck testified in support of **HB 2328** (Attachment 2). He stated that Kansas businesses would benefit from the passage of this bill. Missouri has a Sales Tax Holiday and consumers from Kansas go to Missouri to purchase school items. He stood for questions.

Richard Cram, Kansas Department of Revenue, testified in opposition to **HB 2328** (Attachment 3). The Fiscal Note on **HB 2328** is estimated to result in the loss of \$5.7 million in fiscal year 2010. The Department of Revenue is required to send a 60 day notice to retailers prior to the first day of the calendar quarter in which the sales tax holiday commences. A guidebook on what purchases are exempt, how to report the exempt sales, and provide other sales tax holiday instructional material is needed. Mr Cram provided information on the administrative impact. Mr. Cram included a study titled, *Price Effects Around a Sales Tax Holiday: An Exploratory Study* which compared Total Gross Price, Total Sales Tax and Total Final Price between Pensacola, Florida and Mobile, Alabama during the Florida Sales Tax Holiday. He stood for questions.

Mark Tallman, Kansas Association of School Boards, testified in opposition to **HB 2328** (Attachment 4). He stated five reasons for opposing this bill. Those reasons are:

- ◆ Kansas is in the midst of the most serious budget crisis
- ◆ Granting further tax exemptions is the wrong direction to go
- ◆ Merchants will benefit without lowering their own prices
- ◆ Families are struggling to make ends meet

CONTINUATION SHEET

Minutes of the House Taxation Committee at 9:00 a.m. on March 3, 2009, in Room 535-N of the Capitol.

◆ Public education is funded by our taxes

He stated that the tax base will be narrowed and will worsen the state budget.

Larry Baer, League of Kansas Municipalities, testified in opposition to **HB 2328** (*Attachment 5*). He stated that the passage of **HB 2328** would reduce revenue generated by retail sales to those entities that are reliant upon it. Revenues lost by the sales tax holiday must be made up by other means-either by decreasing services or increasing other sources of revenue, including property taxes.

The Chairman closed the hearing on **HB 2328**.

HB 2324 - Sales tax exemption requirements for certain retail businesses under Kansas enterprise

The Chairman opened the hearing on **HB 2324**.

Chris Courtwright briefed the committee on **HB 2324**.

Representative Elaine Bowers testified in support of **HB 2324** (*Attachment 6*). Representative Bowers shared the story of a constituent in her district that had applied to the Kansas Department of Revenue for a sales tax exemption for his business, only to be told he did not qualify because the population in the county he resided in didn't meet criteria. The population count used was from the US General Census and was an estimate. Representative Bowers wanted to ensure new businesses thinking about expanding or locating to her district would meet criteria based on population numbers certified by the Secretary of State. **HB 2324** would strike the use of the words *United States Federal Census* and change it to reflect the *Kansas Division of Budget revised population numbers that are certified to the Secretary of State*. This will enable a more accurate population count. She stood for questions.

The Chairman closed the hearing on **HB 2324**.

The next meeting is scheduled for March 4, 2009.

The meeting was adjourned at 10:50 a.m.