

**Testimony to the House Taxation Committee
In Support of HB2445
Greg Ferris, for Kansas Health and Fitness Association
March 23, 2021**

Mr. Chairman, members of the Committee, thank you for allowing me to be here today. My name is Greg Ferris. I am here today to speak in SUPPORT of HB2445. I have served in various positions for the Kansas Health and Fitness Association during the past 15 years. KHFA is a group of privately owned health clubs in Kansas. These clubs represent a variety of cities and sizes of clubs in Kansas

However, while we continue to add new clubs to our membership there is one troubling issue. Nearly every club that was a member ten years ago is no longer open. These clubs, many longtime family businesses, could not compete with tax exempt and/or tax subsidized clubs. These exempt clubs have a six to nine percent advantage in pricing as well as purchasing goods and utilities because they are sales tax exempt. This makes it very difficult to compete head-to-head. That exempt competition also enjoys tens of thousands of dollars in property tax savings.

While HB2445 does not include any sales tax exemption, it does begin to level the playing field. Private clubs will continue to collect sales tax. They will continue to pay sales tax on their utilities and all of their purchases. Private clubs will continue to pay income tax. However, removing the property tax burden will give these clubs a fighting chance. There is not another industry where all of the competition pays no sales tax, no property tax, and no income tax. While you may find isolated instances of unfair advantage in other industries; there is none that is industry wide.

The problem is growing. Local governments are collecting taxes and then using some of that money to construct competitive health clubs. What is worse is when a recreation commission levies a tax to fund its operation. Derby has a recreation center that collects a two-mill tax, through the school district, to fund its operations. They charge members a nominal fee then subsidizes the rest with this mill levy. The private club, in the same city, literally is paying some of the operating expenses for its competition. Many others communities have one to two mill levy taxes that fund operating and capital costs.

There is a huge amount being spent for these competing government facilities and other tax-exempt facilities. During the past fifteen years over \$200,000,000 worth of tax-exempt facilities have been constructed. This includes at least \$100,000,000 paid for by local taxes.

This Committee should care about the explosion of tax-exempt facilities at the expense of tax paying facilities. The State forgoes approximately five million dollars annually in sales taxes from memberships and millions more from tax exempt purchases. Every time a club goes out of business the State loses income tax. This problem is not going away. When a tax-exempt facility is built and a tax paying business closes, the State loss of revenue continues to grow.

You can begin to help the problem. The Kansas Health and Fitness Association asks that this Committee eliminate this extremely unfair situation and vote to support HB2445.