

MINUTES OF THE HOUSE TAXATION COMMITTEE.

The meeting was called to order by Chairperson John Edmonds at 9:00 a.m. on February 20, 2003 in Room 519-S of the Capitol.

All members were present except:

Representative Sharp
Representative Sawyer

Committee staff present:

Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Gordon Self, Office of the Revisor
Carol Doel, Committee Secretary

Conferees appearing before the committee:

Diane Oakes, Girl Scouts of America
Pete Doll, YMCA
Ron Hein, National Kidney Foundation
Devin Hansen, Wichita Festivals
Dr. William Murphy, American Heart Association
Laurel Alkire, Executive Director Senior Services
Inc. Of Wichita
Jennifer Haller, Alzheimer's Association, Heart of
America
Judy Keller, American Lung Association
Gayle Malone, Sedgwick County Zoo
Richard Fisher, Boy Scouts of America
Rick Kopecki, Harvest America Weatherization

Others attending:

See attached list

Distributed for committee review by Chris Courtwright, Legislative Research Department was a report from the Federation of Tax Administrators on the extent to which states tax services. (Attachment 1)

Chairman Edmonds called for bill introductions, hearing none, he opened the floor for hearings on **HB 2252** an act relating to sales tax exemptions; non-profit and charitable activities. With no proponents of the bill, Chairman Edmonds recognized Diane Oakes of the Girl Scouts of America as the first opponent of **HB 2252**. In her testimony, Ms. Oakes stated that they often subsidize girls with financial assistance to families who cannot afford the small cost of Girl Scout membership, and since they are already operating with reduced United Way and community funding, it would be devastating to their council and would create an annual loss in income of \$22,144 if the tax exemption was to be repealed. This would cause them to lose their ability to provide "scoutership" assistance to the girls who need it most. (Attachment 2)

Appearing next as an opponent of **HB 2252**, was Pete Doll, President/CEO, YMCA of Topeka who voiced the opinion that repeal of the tax exemption would cause a reduction in the amount of charitable services provided by the YMCA. (Attachment 3) Also submitted on behalf of the YMCA was information regarding Facts about the Kansas YMCAS (Attachment 4) as well as the mission of the YMCA. (Attachment 5).

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Ron Hein, legislative counsel for and a board member of the NKF KS/MO (National Kidney Foundation of Kansas and Western Missouri) gave testimony in opposition to **HB 2252** stating that this organization provides numerous services for people with kidney disease. The fiscal impact to the state of Kansas by eliminating the sales tax exemption would be to save approximately \$3,000 or less and would reduce the services provided not only for research, but also to those with kidney disease. (Attachment 6)

Devin Hansen, speaking for the Wichita Festivals, reported the Wichita River Festival has become the largest special event in the state along with the Kansas State Fair and the economic impact should not be understated. The sales tax exemption applies only to the purchase of the \$3.00 Wichita River Festival Button which is not required for admission, but is a representation of support for the Festival. Revenue from button sales is the primary source of income for the Wichita Festivals. (No testimony)

The American Heart Association was represented by Dr. William Murphy who gave testimony in opposition to **HB 2252**. In his testimony Dr. Murphy stated that he doubted that the value of the Heart Association's sales tax exemption will amount to much more than a rounding error in legislative budget deliberations, however, the loss of the exemption would certainly impact their ability to deliver life-saving benefits back to the state at the current levels. (Attachment 7)

Speaking in opposition to **HB 2252** was Laurel Alkire, Executive of Senior Services, Inc. Of Wichita. Their concern was for the Meals on Wheels program. Meals on Wheels delivers nutritionally balanced meals to elders who are unable to prepare at least one nourishing meal a day. The loss of the tax exemption would result in a loss of funds for 5,590 meals for the Wichita program alone. (Attachment 8)

Jennifer Haller, Public Policy Coordinator, Heart of America Alzheimer's Association, addressed the committee in opposition to **HB 2252**. It is their estimate that their sales tax exemption would amount to approximately \$16,000 a year. This amount of money is equivalent to only 0.000047% of the current state deficit, but represents respite relief to 32 family caregivers or legal counsel for 55 families or 400 enrollments in the Safe return program or 3200 informational packets to individuals and families coping with Alzheimer's. (Attachment 9)

Testifying in opposition to **HB 2252** was Judy Keller, Executive Director, American Lung Association of Kansas. The American Lung Association receives approximately \$6,000 in sales tax relief from the exemption for their association which to them is a substantial impact which would prevent them from helping needy persons with various methods of support. (Attachment 10)

Gayle Malone, member of the board of trustees and president elect of the Sedgwick County Zoological Society, addressed the committee in opposition to **HB 2252**. In her testimony, Ms. Malone stated that if they lose their sales tax exemption, they will have to pass along the additional cost to the members which combined with a possible increase in admission price could have a major negative impact on their attendance, thus generating less income to maintain the zoo and properly care for the animals. (Attachment 11)

Representing the Jayhawk Area Council of the Boy Scouts of America was Mr. Richard L. Fisher, Scout Executive, testifying in opposition to **HB 2252**. In his testimony, Mr. Fisher stated that with other State and Federal programs being cut, they anticipate that there will be a greater need for the Boy Scout programs. The

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proposed loss of the sales tax exemption would make it more challenging to serve youth. (Attachment 12)

The final opponent to testify in opposition to **HB 2252** was Rick Kopecki of Harvest America a weatherization organization. They are a federally funded organization who give assistance to very low income people by helping with replacement of furnaces and checking combustible materials. If they were to lose the sales tax exemption, it would mean they would be able to help a smaller number of needy people with weatherization of their living accommodations. (No testimony)

With no one further wishing to testify on **HB 2252**, Chairman Edmonds closed the hearing on the bill. He further called attention to written testimony from Marlee Carpenter, KCCI (Kansas Chamber of Commerce and Industry) in opposition to **HB 2252**(Attachment 13) as well as from Jan McKay, Executive Director, Old Cowtown Museum, Wichita, Kansas (Attachment 14).

Chairman Edmonds opened the floor for discussion on **HB 2005** (relating to credits for property taxes paid upon certain railroad machinery and equipment) with Chris Courtwright, Legislative Research Department giving an overview of the bill as well as advising that this bill would carry a fiscal note of \$40,000,000 by the beginning of fiscal 2006.

Representative Faber made a motion to amend **HB 2005**, line 30, changing 2004 to 2002 and line 32, changing 20% to 15% of the property tax levied for property tax years, as well as line 33 changing 2005 and 2006 to read 2003 and 2004. The motion was seconded by Representative Jack.

Chairman Edmonds called for discussion. Representative Larkin commented that this was a policy issue which came up at the very tail end of the session last year in conference committee. The railroads came and threatened suit if they didn't get the same credit that other companies were getting. There was an interim study on it. He wasn't sure if the interim study cleared up the situation. He did wish to make the committee aware that this amendment has a fiscal note of about \$1.4 million and due to the financial condition of the state a vote for this amendment would mean looking for a place to cut the budget which would probably be education or looking for places to increase taxes. He would oppose the amendment.

There was no further discussion.

Vote was taken. Motion passed.

Representative Powers made a motion to pass the bill out favorably. The motion was seconded by Representative Faber. Vote was taken. **HB 2005** was passed out favorably.

With no further business before the committee, Chairman Edmonds adjourned the meeting at 10:30 a.m.