

MINUTES OF THE HOUSE TAXATION COMMITTEE.

The meeting was called to order by Chairperson John Edmonds at 9:00 a.m. on March 18, 2003 in Room 519-S of the Capitol.

All members were present except:

Representative Vaughn Flora

Committee staff present:

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

Conferees appearing before the committee:

Representative David Huff
Representative Stephanie Sharp
Kathy Damron - Phillip Morris
Kevin Walker - Tobacco Free Kansas
Tom Palace - Convenience Store Association
Tom Whitaker - Kansas Motor Carriers
Ron Heins - Legislative Counsel for R.J.
Reynolds Tobacco Company

Others attending:

See attached list

Chairman Edmonds opened the meeting calling for bill introductions. Hearing none, the meeting was opened for public hearings on **HB 2422** - *Prohibiting certain shipment or transport of cigarettes*.

The Chairman asked for approval of minutes from 3-5, 3-6 and 3-7. Representative Larkin made a motion to adopt the minutes as read. Representative Owens seconded the motion. Minutes were adopted.

Representative Huff appeared before the committee with testimony in favor of **HB 2422**. His testimony reports that passage of this bill would help in making it more difficult for underage persons to obtain cigarettes and secondly and most important the bill will force the purchasers of cigarettes to purchase their cigarettes in Kansas and protect our tax base that we impose on cigarette sales. (Attachment 1) Also included in Representative Huff's testimony was an E-Commerce report entitled *Sales of Cigarettes Online Hit* written by Bob Tedeschi (Attachment 2)

Representative Stephanie Sharp testified in support of **HB 2422** which she stated was a bill that protects the health of Kansas children, the livelihood of Kansas businesses, and maximizes the state's ability to collect excise tax revenue. (Attachment 3)

Representing Philip Morris was Kathy Darmon as a proponent for **HB 2422**. As a part of Philip Morris' commitment to responsible retailing, they believe that consumer cigarette sales should occur where there is reliable age verification, such as in face-to-face transactions with adult smokers. They also believe that cigarettes should be sold in compliance with the terms of the MSA (Master Settlement Act) and all applicable

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laws. (Attachment 4) Philip Morris also has adopted a Statement of Principles regarding internet and a commercial direct mail tobacco sales legislation. (Attachment 5)

President of the Tobacco Free Kansas Coalition, Kevin Walker, appeared before the committee in support of **HB 2422**. The coalition includes more than 125 organizations. They urge the State of Kansas to pass this bill and encourage them to include all tobacco products such as loose tobacco, chewing tobacco and cigars. (Attachment 6)

Tom Palace, Executive Director of the Petroleum Marketers and Convenience Store Association of Kansas was next to present testimony in conceptual support of **HB 2422**. They conceptually support a legislative proposal to make transporting of cigarettes to those other than licensed retailers or warehouse operators an unlawful act. The question of acceptable levels of civil fines for common or contract carrier violations can best be answered by representatives of the transportation industry. (Attachment 7) Mr. Palace also included in his testimony information from a web site which shows an ordering form as well as several sites where cigarettes can be purchased over the internet. (Attachment 8)

Richard Cram, representing the Department of Revenue, Policy and Research presented testimony in support of **HB 2422**. This bill makes the shipment or transport of cigarettes into Kansas illegal if delivered to a person who was licensed to sell cigarettes as provided by Kansas law; an export warehouse proprietor, or operator of a customs bonded warehouse pursuant to federal law; or a person who is not a state or federal agent acting under official duties. It outlaws direct sale or shipment of cigarettes to the ultimate consumer in Kansas. (Attachment 8) The Department suggests two amendments to the bill. (Attachment 9)

Tom Whitaker, Executive Director of Kansas Motor Carriers Association, appeared in opposition to **HB 2422**. His testimony related that the bill represents an effort to stop the purchase of cigarettes on the internet and assure collection of Kansas' cigarette tax. The bill is directed to the shipper of cigarettes as well as a common or contract carrier that transports them. They believe that Kansas law should focus directly on the shipper and not involve the transporter in possible criminal action. (Attachment 10)

Ron Hein, legislative counsel for R.J. Reynolds Tobacco Company, presented testimony in opposition to **HB 2422**. R.J. Reynolds supports legislation to insure that internet and other interstate sales of cigarettes are handled in a manner that only persons of lawful age are able to obtain cigarettes, and that tobacco excise taxes, sales taxes, and any other taxes applicable are collected from the entities shipping cigarettes. They do have concerns about the working of the bill and feel that it would need to be amended before they could support it. (Attachment 11) They included a copy of the suggested wording with their testimony. (Attachment 12)

With no one further wishing to testify, Chairman Edmonds closed the hearing on **HB 2422**.

The Chairman opened the hearings on **HB 2162** - *income tax credits for contributions to community service organizations*.

Representative McKinney appeared as a proponent to **HB 2162** stating the bill would seek to target 80% of our community development tax credits to medical services for indigent and foster care to replace some of the lost state support in these areas. (Attachment 13)

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There being no further conferees on **HB 2162**, Chairman Edmonds closed the meeting for hearings.

With no further business before the committee, Chairman Edmonds adjourned the meeting at 10:33 a.m.