

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on February 7, 2008 in Room 519-S of the Capitol.

All members were present except: Representative Owens - Excused.
Representative Kinzer - Excused

Committee staff present:

Chris Courtwright, Legislative Research Department
Gordon Self, Office of Revisor of Statutes
Ryan Hoffman, Legislative Research Department
Scott Wells, Office of Revisor of Statutes
Rose Marie Glatt, Committee Assistant

Conferees appearing before the committee:

Dr. Marcia Niesen, Executive Director, KS Health Policy Authority
Dr. Deb Clements, KS Academy of Family Physicians
Leon Vinci, Alliance of Health Advocates
Kimber Richter, Kansas Public Health Association
Dr. William Orzechowshi, President of Orzechowski and Walker Consulting Firm
Bill Nigro, Kansas City Business Rights Coalition
Brenda Ellsworth, Pump’N Petes Convenience Store
Bill Murphy, Quick Stop
Chris Darrah, Dara’s Fast Lane, Inc.
Gary Kruger, Krueger’s BP
Grover Norquist, President, Americans for Tax Reform

Others attending:

See attached list.

The following bill requests were made:

Stuart Little, representing the Boys and Girls Clubs of America, requested a bill regarding a sales tax exemption, for construction only, related to a construction project. Representative Wilk moved the motion, seconded by Representative Carlson. The motion carried.

Representative Peck made a motion to introduce a bill for an income tax deduction for members of health care sharing ministries. Representative Hayzlett seconded. The motion carried.

HB 2737 - An act increasing the rate of tax upon cigarettes and tobacco products and creating a health reform fund.

Chris Courtwright briefed the Committee on **HB 2737** that amends the cigarette and tobacco products statutes to offer a multi-year cigarette tax increase and a one-time tobacco tax increase. The proposal would increase the cigarette tax from \$.79 to \$1.29 effective July 1, 2008, with an additional \$0.04 annually until July 1, 2013. He distributed a chart reflecting those changes (Attachment 1).

Dr. Marcia Niesen, Executive Director, KS Health Policy Authority said the purpose of Health Reform Proposal is to improve the health of Kansans - not just health insurance or health care - but the health of Kansas children, families, and communities. She described six visions on which the reform proposal is based. They are:

- 1) Quality and efficiency
- 2) Affordable, sustainable health care
- 3) Access to care
- 4) Health and wellness
- 5) Stewardship
- 6) Public engagement

She explained the detrimental effect cigarettes and tobacco products have on individuals and the state. Her

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testimony included 17 slides that provided statistics concerning costs associated with the use of tobacco products ([Attachment 2](#)). She said the additional funds would fund 21 programs outlined in the Health Reform Proposal. A pack of cigarettes would cost \$7.80 a pack if the actual cost of health care related expenses were added. In response to a question regarding what was done with the infusion of funds from the recent master settlement funds she said she did not have that specific information.

Dr. Deb Clements, KS Academy of Family Physicians, said evidence shows that tobacco and secondhand smoke costs the state millions each year, and are the leading preventable health care costs in Kansas. She urged passage of **HB 2737** for the following three reasons:

- 1) It will encourage reduction or cessation of smoking
- 2) It will discourage teen initiation of smoking
- 3) It will raise revenues for the State of Kansas ([Attachment 3](#))

Leon Vinci, Alliance of Health Advocates, rose in support of the bill. He said with states seeing a decrease in consumption of tobacco with increased cigarette tax, long term economic benefits for health care costs burden Kansans may be revealed as well. ([Attachment 4](#)).

Kimber Richter, Kansas Public Health Association, provided seven reasons **HB 2737** should be passed ([Attachment 5](#)). For data regarding the effects of tobacco tax increases on low-income tax burden, she attached two "Campaign for Tobacco Free Kids" fact sheets, *Responses to Misleading and Inaccurate Cigarette Company Arguments Against State Cigarette Tax Increases* and *State Cigarette Tax Increases Benefit Lower-Income Smokers and Families*. In conclusion, she said the bill would save a lot of lives, reduce the burden of terrible illnesses, and would ultimately save a great deal of health care dollars.

Dr. William Orzechowshi, President of Orzechowski and Walker Consulting Firm, testified the effect of the bill on the Kansas tax base would be significant due to cross border sales. Indian tribes will continue to sell tobacco products at discount prices. People will not necessarily decrease smoking, but will purchase products, elsewhere, decreasing the Kansas tax base ([Attachment 6](#)).

Bill Nigro, Kansas City Business Rights Coalition said that the Legislature is creating an army of people that are getting angrier with government who continue to raise taxes. It is driving people across the border to buy tobacco products. This bill will create hardship for people when taxes are put in place ([Attachment 7](#)).

Brenda Ellsworth, Pump'N Petes Convenience Store, Parsons, spoke of the economic effect on her business, when taxes are increased. People travel across the border for tobacco products and purchase gasoline there as well. ([Attachment 8](#)).

Bill Murphy, Quick Stop, Atchison, spoke in opposition to the bill. He said that when Kansas last increased the tax of tobacco, he saw their tobacco sales decrease by two thirds. An additional increase could be the death knell for businesses like his. Please consider what is fair for the business community ([Attachment 9](#)).

Chris Darrah, Dara's Fast Lane, Inc., Manhattan said by increasing the price of tobacco products they will also see an increase in theft in their businesses. He asked where government will go after this well dries up? Are fat products going to be next? ([Attachment 10](#)).

Gary Kruger, Krueger's BP, Kansas City, spoke of the economic effect on his sales due to the last tax increase. He provided operating information and data from his two stores, one in Missouri and one in Kansas ([Attachment 11](#)).

Grover Norquist, President, Americans for Tax Reform, appeared in opposition to the bill. He said raising taxes is only a way to paper over the need to set budget priorities, rather than a solution to all of the state's funding woes. Experience shows that tobacco tax increases encourage illegal activities, including tax evasion, smuggling, buying and selling on the black market ([Attachment 12](#)).

The Chairman said that the public hearing on **HB 2737** would continue tomorrow morning upon

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adjournment of the House.

The meeting adjourned at 10:30 a.m. The next meeting is February 8, 2008.