

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on March 6, 2008 in Room 519-S of the Capitol.

All members were present.

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 Secretary

Conferees appearing before the committee:

Richard Cram, Department of Revenue

Others attending:

See attached list.

Chairman Wilk moved a bill introduction, on behalf of Representative Owens, concerning a sales tax exemption relating to the Equestrian Order of the Holy Sepulchre. Representative Holland seconded the motion. The motion carried.

Representative Owens requested a bill introduction for a bill that would state that financial institutions can not reopen an account which has previously been closed by the holder. Representative Menghini seconded the motion. The motion carried. The Chairperson of the Insurance and Financial Institutions has agreed to hear and work the bill.

Representative Wilk moved a bill introduction pertaining to a net operating loss carry-back provision in the tax policy. Representative Carlson seconded the motion. The motion carried.

Representative Dillmore requested a bill introduction regarding personal income tax and check off for the Alzheimer's Association. Representative Holland seconded the motion. The motion carried.

HB 2938 - Sales tax exemption for certain 501 (c) (3) nonprofit organizations

Secretary Wagon and Richard Cram explained a table that listed entities that are currently exempt from sales tax or who have legislation pending and whether the exemption is for purchases and/or sales made (Attachment 1).

The table has three sections:

- Section 1 - The department's recommendation of the organizations that would retain their exempt status and would not be affected by **HB 2938**, except for fund-raising.
- Section 2 - The department's recommendation of exempt entities that should retain their exempt status until their current exemption certificate expires. Future exempt status would depend on whether they meet the requirements of **HB 2938**.
- Section 3 - A list of entities with legislation pending in the 2008 Legislature, including carry-overs from the 2007 Session and how **HB 2938** would impact their status.
- Section 1 and Section 2 would be grand fathered into the bill.

A second memorandum, from KDOR, with a balloon amendment was distributed (Attachment 2).

The Chairman opened the public hearing on **HB 2938**.

Representative Whitham distributed balloon amendments to the bill (Attachment 3).

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on March 6, 2008 in Room 519-S of the Capitol.

He explained amendments on page 1:

- Page 1, new section 1, line 22, “health care research and services” would be struck, and *mental retardation services, mental illness services, learning disability services* would be substituted.
- Page 1, new section 1, line 23, *or legally blind* would be added

Representative Whitham made a motion to move his balloon. Representative Menghini seconded the motion.

Representative King requested a division of the motion. The Chairman concurred and divided the amendment:

- Part A - Page 1, new section 1, line 22, “health care research and services” would be struck, and *mental retardation services, mental illness services, learning disability services* would be substituted.
- Part B - Page 1, new section 1, line 23 , *or legally blind* would be added

Representative Whitham moved Part A of his amendment. The motion failed.

Representative Owens made a substitute motion that would move the word “legally” in front of the word “deaf”, which would include both deafness and blindness. Representative Siegfried seconded. The motion carried.

There was discussion questioning the definition of *legally deaf and blind*. The Chairman said given the number of questions before the Committee, there would be ample time to research the definition.

Representative Whitham made a motion to delete (2). Wilk seconded the motion. On Page 1, “the gross receipts from the sale of admissions or tickets to fund raising activities or events not exceeding one day and not exceeding two such activities or events per year, all sales of tangible personal property or services donated from fund raising purposes, and all sales of publications developed by an organization for fund raising purposes, all by an organization which is exempt from federal income taxation pursuant to section 501(c) (3) of the federal internal revenue code, and which such sales are dedicated to further the religious, charitable, scientific, testing for public safety, literacy or educational purpose, or any other purpose specified by section 50-1 (c) (3) of the federal internal revenue code, of the organization,” would be deleted.

Lengthy discussion followed regarding the pros and cons of deleting (2). Secretary Wagnon explained that currently Kansas is spending \$43 million in tax exemptions. If Kansas exempted all non-profit organizations it would add \$26 million. If the Whitham bill passed it would add \$16 million. If the balloon amendment (deletion of (2), is adopted it would be \$6 million, or \$10 million less.

Discussion followed on tax policy philosophy. There was consensus that the tax exempt policy needs to be changed, which will be difficult - but necessary- if they are to improve the current tax system.

Representative Whitham closed his motion regarding the (2) deletion. The motion failed.

The meeting adjourned at 10:30 a.m. The next meeting is March 7, 2008.