

MINUTES OF THE HOUSE TAXATION COMMITTEE.

The meeting was called to order by Vice Chairman Huff at 9:00 a.m. on March 6, 2003 in Room 519-S of the Capitol.

All members were present except:

Chairman John Edmonds  
Rep. Vaughn Flora  
Rep. Ed O'Malley  
Rep. Bonnie Sharp

Committee staff present:

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

Conferees appearing before the committee:

Pat Hubbell, Kansas Railroads  
Christy Caldwell, Greater Topeka Chamber of  
Commerce  
Marlee Carpenter, Kansas Chamber of Commerce  
and Industry  
Tom Whitaker, Kansas Motor Carriers  
Bob Alderson, Mid States Port Authority

Others attending:

See attached sheet

Vice Chairman Huff opened the floor for bill introductions. Hearing none he opened the hearing on **HB 2098**, and asked Chris Courtwright, Legislative Research Department to give an overview of the bill. The bill would repeal five sales tax exemptions. Two of those were already defunct. The three existing exemptions that would be repealed are tangible personal property purchased by a railroad or public utility for consumption or movement directly and immediately into interstate commerce; secondly, all sales of materials of services using repair, servicing, altering, maintaining, manufacturing, re-manufacturing or modification of railroad rolling stock for use in interstate or foreign commerce; finally, all sales of property or services purchased directly by port authority or by contractor.

Following Mr. Courtwright's overview of the bill, Vice-Chairman Huff recognized Pat Hubbell, representing Kansas Railroads, as an opponent of **HB 2098**. They feel that repeal of the exemptions would significantly increase the costs to construct, maintain and operate the rail transportation system required by many Kansas shippers to access the US and world markets and that the costs incurred to produce goods or provide a service must be included in the prices charged to the customer. Significantly increasing the tax burden of the railroad industry and, ultimately, its customers during the present difficult economic times, would impose an additional hardship on that segment of the Kansas business community during a time when they can least afford it. (Attachment 1) Also included in Mr. Hubbell's testimony, was a report on *Railroad Rolling Stock*

CONTINUATION SHEET

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*Exemptions In States Close to Kansas (Attachment 2)*

Christy Caldwell, Vice President of Government Relations for the Greater Topeka Chamber of Commerce was next to appear in opposition to **HB 2098**. It is their belief that if this legislation is enacted, it will severely handicap the efforts to convince BSNF (Burlington Northern Santa Fe) officials that Kansas is serious about wanting to keep the repair shops here. (Attachment 3) Ms. Caldwell also submitted with her testimony a press release from the Topeka Capital-Journal (Attachment 4), and a commentary written by Bill Mertens (Attachment 5)

Representing KCCI (Kansas Chamber of Commerce and Industry) was Marlee Carpenter in opposition to **HB 2098**. Ms. Carpenter stated that KCCI opposes the bill because passage of this legislation would increase the costs of transportation services and make Kansas companies absorb the costs or make them non-competitive within the region or nation as a whole. (Attachment 6)

Kansas Motor Carriers was represented by Tom Whitaker in opposition to **HB 2098**. He stated that repeal of this sales tax exemption puts Kansas-based carriers at a competitive disadvantage compared to motor carriers based in surrounding states who have this exemption. Also disadvantaged by repeal of the sales tax exemption would be truck dealers, engine companies, parts and accessory stores, truck stops with service facilities and many other Kansas companies who depend on the purchasing power of the motor carriers industry to stay in business. (Attachment 7)

Bob Alderson, general counsel for Mid-States Port Authority, appeared before the committee to give testimony in opposition to **HB 2098**. In his testimony, Mr. Alderson made the following comments regarding the repeal of the tax exemption:

- \* Short lines have to make hard economic choices as to where to spend their scarce capital dollars.
- \* Many shippers who previously used rail have switched to truck for a variety of reasons, and that traffic will not likely return to rail.
- \* Technological changes in the rail industry have far outstripped the ability of short lines to handle traffic moving in this state.

For the above reasons, the sales tax exemptions afforded Kyle and other short-line railroads play an important part in the economic viability of these rail carriers and, as a consequence, in the stability of the state's transportation system. (Attachment 8) Mr. Alderson also included for committee review, background information on Mid-States Port Authority (Attachment 9)

Vice-Chairman Huff asked if anyone else wished to appear before the committee regarding **HB 2098**. Hearing no one else who wished to address the bill, Vice-Chairman Huff closed the hearing.

With no further business before the committee, meeting was adjourned at 10:13 a.m.

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