

MINUTES OF THE HOUSE TAXATION COMMITTEE.

The meeting was called to order by Chairperson John Edmonds at 9:00 a.m. on February 25, 2003 in Room 519-S of the Capitol.

All members were present except: Representative Tom Sawyer
Representative Bonnie Sharp

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Gordon Self, Office of the Revisor of Statutes

Conferees appearing before the committee: Representative Jim Yon
Meril Vanderpool, Owner, Village Greens Golf Course
Tory Head
Dan Moler, League of Municipalities
Mark Dasetti, Kansas National Education Association
Tom Bell, Kansas Hospital Association
Ed Van Petten, Executive Director Kansas Lottery
Robert Kelly, Kansas Independent Colleges
Michael Papoon, Sedgwick County
Diane Gjerstad, Wichita, Public Schools

Others attending: See attached list.

Chairman Edmonds called attention to two articles submitted for committee review, sales tax on services (Attachment 1) and an update on state sales tax exemption (Attachment 2) both provided by Chris Courtwright of the Legislative Research Department.

A fiscal note on **HB 2239** was also provided for review.

Chairman Edmonds requested bill introductions at this time. Representative Yonally addressed the committee requesting the introduction of a bill which is a compromised proposal. If a school board decides that a school needs to be closed because it is small and inefficient, they would announce their intent to do that and if the voters/taxpayers in that school attendance area wish to circulate a petition, they can ask the board to set up a benefit district much like cities do now for sewers or water lines, etcetera, and the people in that benefit district get to vote an additional tax on themselves to pay for the additional cost of that service.

Without objection, Chairman Edmonds accepted the bill for introduction.

Representative Huff asked for the introduction of a bill that would restrict sales of cigarettes from the internet so that we can enforce Kansas laws regarding selling cigarettes to minors.

Hearing no objections, Chairman Edmonds accepted that proposal for introduction.

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With no further bill introduction, Chairman Edmonds opened the meeting for public hearing on **HB 2239** introducing Meril Vanderpool, owner of the Village Greens Golf Course in Ozawkie, Kansas as a proponent of the bill. Mr. Vanderpool explained that he was in competition with local units of government for people's recreation dollars and encouraged the committee to level the playing field when government is competing with small business people providing the same type of recreational activity. (Attachment 3)

Tory Head, General Manager of Western Hills Golf Course, Topeka, Kansas asked to speak to the committee also as a proponent of **HB 2239**. He stated that he had no idea how much of a competitive disadvantage they were with some of the county and city-owned operations. He stated that the competitive disadvantage becomes more and more prevalent in regards to machinery, property tax, as well as green fees. (No Written Testimony)

Don Moler, Executive Director of League of Kansas Municipalities was the first to address the committee in opposition to **HB 2239**. It is their belief that looking at individual sales tax exemptions will not solve the sales tax issue, and that to truly address the issue, the largest sales tax exemptions must be packaged together and voted on as a unit. (Attachment 4) Mr. Moler also submitted his testimony which he gave before the Special Committee on Assessment and Taxation regarding Sunset Sales Tax Exemptions. This was given on October 24, 2002. (Attachment 5)

KNEA (Kansas National Education Association) was represented by Mark Dasetti in opposition to **HB 2239**. They are in agreement that a comprehensive review of sales tax exemptions is a good idea, however, they urge that each exemption be considered carefully and a tax plan crafted that helps the State of Kansas and treats all Kansans fairly. (Attachment 6)

Addressing the committee for the Kansas Hospital Association was Tom Bell. This organization stands in opposition to **HB 2239** stating that if the current sales tax exemption is removed, there will be an automatic increase in hospital costs which will, in turn, cause healthcare costs to increase. (Attachment 7)

Ed VanPetten, Executive Director of the Kansas Lottery opposes **HB 2239**. The net effect of this bill is a decrease in transfers from the Kansas Lottery to the State of Kansas in an amount that will easily exceed \$20 million. (Attachment 8) His testimony also included an article from the Policies and Procedures Manual (Attachment 9) as well as a graph showing the impact of provincial tax. (Attachment 10)

Addressing the committee from Kansas Independent College Association was Robert Kelly, Executive Director. His testimony was in opposition to **HB 2239**. The reasons for opposition were: (a) it runs counter to centuries of established tax policies; (b) it undermines the education mission of the state; (c) it would retard economic development; and (d) it would reduce revenues over time. (Attachment 11)

Director of Governmental Relations for Sedgwick, Michael Papuan, testified in opposition to **HB 2239**. The argument was that the State's budget crisis has already been shouldered in a disproportionate manner by cities and counties. For the State to now add insult to injury by taxing local governments on purchases that have heretofore been exempt would be unconscionable. (Attachment 12)

Diane Gjerstad of the Wichita Public Schools presented testimony in opposition to **HB 2239**. Their testimony

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stated that this bill would eliminate the sales tax exemption for government and schools to purchase tangible personal property, remodeling and new construction and textbook rentals. During these times when schools are struggling to meet the new costs associated with the newest federal mandate, *No Child Left Behind*, adding additional expenses would result in school districts' purchasing power falling behind. (Additional 13)

With no further persons to appear before the committee regarding **HB 2239**, called attention the written testimony which was submitted for committee review from Dr. Jerry Farley, President Washburn University, (Attachment 14); Reginald L. Robinson, President and CEO of the State of Kansas Board of Regents (Attachment 15); Randall Allen, Executive Director of Kansas Association of Counties (Attachment 16); and Dennis Hachenberg, Chief Executive Office, Anderson County Hospital (Attachment 17)

There was no further business to come before the committee and Chairman Edmonds adjourned the meeting at 10:40 a.m.