

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on February 7, 2006 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Legislative Research Department
Gordon Self, Revisor of Statutes
Richard Cram, Department of Revenue
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Representative Virgil Peck
Senator Lee Tafanelli
Mike Davis, J.C. Penny
Marlee Carpenter, KS Chamber of Commerce
David Cunningham, KS Association of School Boards
Don Moler, League of KS Municipalities
Torrey Head, Western Hills Golf Course, Topeka
Meril Vanderpool, Village Greens, KS Golf Course Owners Association
Chris Flattery, KS Golf Course Owners Association
Bill Cobb, Johnson County Recreation Commission, Overland Park
Erik Sartorius present testimony of Jim Cox, City of Overland Park
*John Wright, Reflection Ridge, Wichita
*Jeanne Goodvin, City of Wichita
*written only

Others attending:

See attached list.

HB 2601 - Sales tax holiday for sales of school supplies, clothing and computers purchased during a specific time period.

Chris Courtwright said that many states have adopted the concept of allowing a sales tax holiday for back to school shoppers. It carries a \$3.7 million fiscal note and DOR have raised several concerns regarding the stream-lined sales tax agreement and New Section 2 of the bill.

The Chairman opened the public hearing on **HB 2601**.

Proponents:

Representative Virgil Peck, sponsor of the bill, said that the bill would be good for Kansas families and Kansas businesses. He cited experiences when neighboring states have had the sales tax holiday, when hundreds of Kansans crossed the border to take advantage of the savings. The only negative comment he had heard was that the Missouri shopping malls were terribly crowded during that time. He questioned the accuracy of the fiscal note, due to numbers based on questionable factors. His bill would allow cities and counties to adopt an ordinance or resolution to waive the collection of local sales tax on the exempt items during the four-day time period. He urged the Committee to pass out **HB 2601** (Attachment 1).

Mike Davis, Store Manager, J. C. Penny, Oak Park Mall, Overland Park testified that there is considerable competitive pressure between retail stores and their Kansas store experienced a loss for the day, while the Missouri store experienced a 101% gain. He suggested the dates should be changed to reflect the start of the main back-to-school shopping season (Attachment 2).

Marlee Carpenter, KS Chamber of Commerce, said that a sales tax holiday provides direct tax savings to consumers, spurs economic growth and development, and provides immediate and tangible tax relief (Attachment 3).

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Neutral:

Don Moler, League of KS Municipalities, said that the League does not take a position on the current bill, because cities and counties have the ability to opt-in to the program and are not required to participate. Many cities cannot afford further tax giveaways if they are to maintain city services at a level expected by the public. He questioned whether there was really increased spending or if shoppers simply modified their shopping and deferred purchases until they were tax exempt (Attachment 4).

Opponent:

David Cunningham, KS Association of School Boards, said that **HB 2601** will decrease state revenues at a time when the need for resources is critical. Adequately school financing is a priority and unless this revenue is replaced, there is concern that this diminution of revenue, along with other tax cuts previously passed and being considered by the Committee, will create difficulties in funding schools at the levels necessary to address the Supreme Court's decision in the school finance case (Attachment 5).

The Chairman asked Richard Cram if it were possible to define geographically by zip code, some retail sales collections for specific time periods for Kansas and would Missouri provide like numbers on a year-to-year comparison. It was suggested that the time frame be increased to a couple of months before and after, to determine if people deferred purchases until the holiday sales. Richard Cram agreed to check on those figures.

The Chairman closed the public hearing on **HB 2601**.

Representative Goico introduced his intern, Nick Goellner, a student at Kansas University.

HB 2596- Taxation of green fees charged at municipal golf courses for sales tax purposes.

Chris Courtwright said the bill would require municipalities to collect sales tax on the sale of green fees at municipal golf courses. Sales tax is currently charged at private golf courses. This fee structure has been on the books for several decades. He said that currently municipal golf courses tax accessory sales and carts, but not green fees.

The Chairman opened the hearing on **HB 2596**.

Proponents:

Torrey Head, Western Hills Golf Course, Topeka said that they were not asking to remove sales taxes on green fees for privately owned golf courses, however, they are asking for sales taxes to be applied equally on all green fees throughout the state. The passage of the bill is not a tax increase, but an implementation of a fair and equitable tax (Attachment 6).

Senator Lee Tafanelli testified in support of **HB 2596** because it levels the playing field and puts equity in the current system (No written testimony).

Meril Vanderpool, Village Greens, KS Golf Course Owners Association, stated that municipal golf courses are not required to collect sales tax on green fees as do privately owned golf courses. He requested that they approve the legislation that would put them on a level playing field with competitors (Attachment 7).

Chris Flattery, KS Golf Course Owners Association said that they pay sales tax but found it increasingly difficult to compete with municipal courses who are able to reduce their prices because they do not pay taxes. He urged passage of the bill that would allow them to compete fairly (Attachment 8).

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John Wright, Reflection Ridge, Wichita, submitted written testimony that stated as private golf course owners they are providing quality recreation at a reasonable cost to citizens statewide. In interest of the state budget and fair business to all tax paying businesses statewide, he asked that **HB 2596** be enacted (Attachment 9).

Opponents:

Bill Cobb, Johnson County Recreation Commission, Overland Park, submitted written testimony and responded to the Chairman's question on how they justified the perceived unfairness of the current system to owners of private golf courses. He said that golf at their park district facilities is supported entirely by the users, which includes retirement of all capital expenses for the original golf course construction. They operate on such a tight margin that inclusion of tax on green fees may cause them to be in default of the bonds. He stated that the comparison wasn't fair, as most municipal courses are not in the same league as privately owned courses and were developed for seniors, juniors and children (Attachment 10).

Written testimony was distributed from James Cox, City of Overland Park. In his absence, Erik Sartorius responded to Committee questions. He stated the detrimental effect would be an increase in green fees that currently are between one third to fifty percent less than any fees players would pay on any other publicly assessable course in Johnson county (Attachment 11).

Written testimony from Jeanne Goodvin, City of Wichita, was distributed (Attachment 12).

The Chairman closed the public hearing on **HB 2596**.

The meeting was adjourned at 10:30 A.M. The next meeting is February 8, 2006.