



**WRITTEN TESTIMONY  
PRESENTED TO THE HOUSE RURAL REVITALIZATION COMMITTEE  
IN SUPPORT OF HOUSE BILL 2131**

**By Dan Morgan for  
The Builders' Association and the Kansas City Chapter, AGC  
February 14, 2019**

Thank you, Mr. Chairman and members of the committee for the opportunity to express our support for House Bill 2131. My name is Dan Morgan. I am past president of the Builders' Association and formerly executive director of the Kansas City Chapter, Associated General Contractors. I currently represent those groups on legislative issues in Kansas. While most of our nearly 450 contractor, subcontractor and supplier members who are domiciled in or perform work in Kansas do so primarily in the Kansas City metropolitan area, we support tax policy that encourages new and remodeling commercial building construction in all areas of the state.

HB 2131 would re-establish a sales tax exemption that was lost on January 1, 2012 and would once again provide a much-needed incentive to encourage new and remodeling construction in rural areas of the state. It would exempt from state and local sales taxes all sales of tangible personal property or services used in and in conjunction with constructing, reconstructing, enlarging or remodeling a business or retail business as well as the sale and installation of machinery and equipment at any such business or retail business.

As with all states that impose sales taxes on sales of tangible personal property and services, the State of Kansas provides exemptions to a variety of entities and activities that ought to be encouraged and preserved. Certainly we should do everything we can to preserve and revitalize our rural communities and the proposed sales tax exemption proposed in HB 2131 will help in that effort.

While not addressed in this bill, I would also encourage the Kansas Legislature to seriously consider exempting the labor services (i.e. labor, profit and overhead) involved in commercial remodeling construction from state and local sales taxes. Remodeling construction ought to be encouraged as a way to preserve and improve older commercial structures in all areas of the state. None of Kansas' neighboring states impose sales tax on such labor services and only a few states in the entire nation do. Residential remodeling was exempted several years ago but this harmful tax remains on commercial remodeling construction to this day.

The construction industry is an important engine of economic growth. Construction activity has a direct economic impact on over forty related industries and an indirect impact on many more. With new or improved buildings come new or expanded businesses, new employees and residents to the state and new homes in our communities. This generates economic growth and that growth results in additional tax income for state and local government. If passed, HB 2131 will provide a much-needed incentive for new and remodeling construction in rural areas of the state. I urge your support of this measure and thank you very much for your thoughtful consideration of our position on this important issue.