

MINUTES OF THE HOUSE TAXATION COMMITTEE.

The meeting was called to order by Chairperson John Edmonds at 9:00 a.m. on February 11, 2003 in Room 519-S of the Capitol.

All members were present except:

Representative Kirk
Representative Owens

Committee staff present:

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

Conferees appearing before the committee:

Marlee Carpenter, Kansas Chamber of Commerce
Bernie Koch, Wichita Chamber of Commerce
Frank Meyer, Custom Metal Fabricators
Hal Hudson, NFIB
Leslie Kaufman, Kansas Farm Bureau
Keith Miller, Farmer
Todd Johnson, Kansas Livestock
Doyle Pearl, Kansas Agribusiness Retailers Assoc.
Denise Washburn, Hills Pet Nutrition
Woody Moses, Redi-Mix Concrete
Steve Miller, Sunflower Electrical Power Corporation
Jeff Berke, CJS Industries
Tony Kunis, Resers Fine Foods

Others attending:

See Attached List

Chairman Edmonds distributed an article entitled *A Blueprint for Streamlining Sales Tax* (Attachment 1) and a copy of Kansas Sales Tax Exclusions and Exemptions, January 3, 2003, published by the Department of Revenue (Copy on record with the Department of Revenue).

Next item on the agenda was bill introductions. Chairman Edmonds recognized Representative Larry Powell who asked that a bill be introduced to exempt Masonic Lodges from property tax.

With no objections, Chairman Edmonds will accept this bill for introduction.

Chairman Edmonds asked for three bill introductions. The first bill would require out of state vendors wishing to do business in the State of Kansas must register and agree to collect sales tax on transaction service over the internet.

Hearing no objections that bill will be accepted for introduction.

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The second bill would take a look at refundable credits for business and terminates refundability of the credits. In addition, unused credits would be subject to carryforward only, no carryback to prior years would be allowed.

Without objection, that will be accepted for introduction.

Thirdly, he requested the introduction of a bill that enacts a franchise fee and occupation tax, replacing the current franchise fee

With no objections, it will be accepted for introduction.

Hearing no one further wishing to introduce a bill, Chairman Edmonds closed the meeting for bill introductions and opened for hearing on **HB 2111**. The Chairman received a copy of the fiscal note from the Division of Budget which showed the fiscal impact from this bill to be an estimated \$1,804,653,000. Prior to hearing testimony on **HB 2111** Chairman Edmonds requested an overview of the bill by Chris Courtwright of the Legislative Research Department.

Marlee Carpenter, representing the KCCI (Kansas Chamber of Commerce and Industry), testified before the committee as an opponent of **HB 2111**. It is the opinion of the KCCI that the passage of **HB 2111** would eliminate two important sales tax exemptions that are used in the manufacturing process, and that in order to keep Kansas competitive, the cost of doing business in the state cannot be increased. (Attachment 3)

Next to appear in opposition of **HB 2111** was Bernie Koch, Wichita Area Chamber of Commerce. It is their feeling that consumers, in the end, will be paying the sales tax on the raw material to make a product, and then pay the sales tax on the sales tax. The higher costs mean our products are less competitive. (Attachment 4)

Frank Meyer, Chairman, C.E.O. of Custom Metal Fabricators in Herington, Kansas. Mr. Meyer's testimony in opposition of **HB 2111** revealed that the disadvantages of a tax repeal would outweigh the advantages 4 to 1. (Attachment 5)

NFIB(National Federation of Independent Business) representative Hal Hudson voiced opposition to **HB 2111**. In his testimony, Mr. Hudson explained their feeling that sales tax exemptions were granted to manufacturers, and to warehouse operators to encourage them to locate in Kansas, to remove that exemption would create the feeling that the State of Kansas no longer cares. (Attachment 6)

Leslie Kaufman, State Director of Kansas Farm Bureau Governmental Relations, addressed the committee in opposition of **HB 2111**. The feeling of Kansas Farm Bureau is that the sales tax exemptions were created to assist economic development and provide competitiveness with our neighboring states, therefore, the exemption should be maintained for sound economic development. (Attachment 7)

A farmer from Great Bend, Kansas, Keith Miller was next to testify before the committee in opposition to **HB 2111**. With the drought and low commodity prices in the last several years, Mr. Miller states that the repeal of the tax exemption allowed in **HB 2111** would be extremely detrimental to his farming operation and could

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indeed increase his costs by \$8,000 to \$12,000 annually. ([Attachment 8](#))

Representing the Kansas Livestock Association, Todd Johnson stood before the committee to testify in opposition to **HB 2111**. Mr. Johnson brings concerns of a negative impact on his organization which already operates on a narrow profit margin. ([Attachment 9](#))

Doyle Pearl, General Manager and owner of J.B. Pearl Sales & Service, Inc., St. Marys, Kansas, also voice opposition to **HB 2111**. In his testimony, Mr. Pearl expressed concerns of negative impact on his business if this bill were to be passed. ([Attachment 10](#))

Hill's Pet Nutrition, Inc. was represented by Denise Washburn, Senior Corporate Tax Manage, who presented testimony in opposition to **HB 2011**. Hill's concern is the passage of this bill would have a long term devastating effect on any expansions and investments into the manufacturing facility in Topeka. ([Attachment 11](#))

Woody Moses, Managing Director of the Kansas Aggregate Producers' Association, and the KRMCA(Kansas Ready Mixed Concrete Association) voice opposition to **HB 2111** stating that sales tax exemptions should be viewed as the development of tax policy as opposed to being a device for the raising of revenue and would affect the economic growth in the state. ([Attachment 12](#))

Testifying in opposition of **HB 2111** was Steve Miller, Senior Manager, External Affairs, Sunflower Electric Power Corporation. There opposition expressed the opinion that the repeal of the sales tax exemption would impose tax on coal and natural gas supplies and it is estimated that cost to their consumers would be \$1.7 million annually. ([Attachment 13](#))

Jeff Berke, CPA, General Manager, CJS Industries, Inc. gave testimony in opposition to **HB 2111**. It is the opinion of CJS Industries that the passage of this bill would result an increased cost of capital which would reduced their ability to compete in the global market today. ([Attachment 14](#))

The General Manager of Reser's Find Foods, Tony Kunis, testified as an opponent to **HB 2111** stating that in their opinion increased tax costs puts Kansas companies at a disadvantage with other states in the competitive market. ([Attachment 15](#))

With no other opponents to testify before the committee, Chairman Edmonds closed the meeting for any further hearings on **HB 2111**.

Chairman Edmonds called to the attention of the committee members the written testimony which was provided for their review from Kansas Corn Growers ([Attachment 16](#)); Kansas Grain and Feed Association ([Attachment 17](#)); Greater Topeka Chamber of Commerce ([Attachment 18](#)); and Lenexa Chamber of Commerce ([Attachment 19](#))

With no further business before the committee, Chairman Edmonds adjourned the meeting at 10:40 a.m.

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