

HB 2662 Testimony

The following testimony will be presented by Brad Rayl, Director, Kansas Fairgrounds Foundation.

Why this request in HB 2662 is important

The building of the 1861 club on the Kansas State Fairgrounds is the most significant project to date undertaken by the Kansas Fairgrounds Foundation. Up to this point, other than the construction of the Lair White House and the building of the Capper Project, most projects have been relatively small, with the purchases made directly by the Foundation and not managed through a general contractor.

The Kansas Fairgrounds Foundation holds a sales tax exemption certificate from the State of Kansas. This certificate allows the Foundation to be exempt from paying sales tax on those items directly purchased by the Foundation. This exemption allowed the Foundation to make most of the purchases for the smaller projects as tax-exempt.

However, as we look at larger multi-million-dollar projects that will be managed by a general contractor for the Foundation, under current Kansas law, the Kansas Fairgrounds Foundation does not qualify for and is unable to secure a project exemption for any project we undertake on the fairgrounds for the benefit of the Kansas State Fair and therefore are required to pay the sales tax.

The vast majority of the purchases for this project, and any project of this scope for the Foundation, will be made by either the general contractor or one of the subcontractors for the project. The sales tax exemption held by the Kansas Fairgrounds Foundation does not carry over to the contractors, meaning the Foundation is paying sales tax on any project they do on the Fairgrounds. For this project alone, the estimated sales tax is approximately \$249,000.00.

Here is what is happening. The Kansas Fairgrounds Foundation is building a venue on state property, understanding that when completed, it will be gifting the nearly \$6M building to the Kansas State Fairgrounds, i.e., the State of Kansas. In addition to gifting the building to the State, the Foundation must pay nearly a **quarter of a million dollars** in sales tax to the State of Kansas to construct this building and then give the State this incredible new building.

It is also important to understand that this building will be a revenue-generating venue, not only during the fair, but year-round through sales tax generated from events held at the venue.

We do not see where, in any scenario, it makes sense that the Foundation should pay the construction costs for the project and then be required to pay the sales tax associated with purchasing the construction materials. We ask that you support HB 2662 in support of the work the Kansas Fairgrounds Foundation is doing on the Kansas State Fairgrounds for the benefit of all Kansans.