

**Testimony to the House Taxation Committee
In Support of SB13 and Proposing an Amendment
Lynn Jenkins, for Kansas Health and Fitness Association
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Mr. Chairman, members of the Committee, it is a pleasure to be here this morning. My name is Lynn Jenkins and I am here on behalf of the Kansas Health and Fitness Association who represents private sector tax paying health clubs in Kansas.

Our health clubs are in a unique situation in Kansas. These fully expect a competitive industry and they spend every day adapting and growing to stay one step ahead of their competition. However, increasingly, their competition is not other private sector clubs, but non-profit and government owned health clubs who pay no taxes at all. This is the only industry in Kansas, that I am aware of, where a significant component of their competition pays absolutely no sales tax, no income tax, and no property tax. These non-profit clubs and government owned facilities have a value of over \$300,000,000 and growing.

Local government operated health clubs specifically have spent over \$100,000,000 in the last fifteen year on new facilities, forcing nearby private sector competition out of business due to an unlevel playing field. The irony is that through mill levies flowing to recreation commissions, school districts and other government entities, struggling tax paying clubs are forced to pay to build and fund their competition. In addition, if there are shortfalls in those operations, additional tax money flows to fund the ongoing operation of government facilities. So not only do their competitors pay no taxes, they are funded by taxes paid by KHFA eligible clubs.

As with many problems, this disparity was further exacerbated by COVID-19. Health clubs were forced to close for nearly two months last year and continue to deal with significantly reduced capacity upon reopening. During the closure period, non-profit and government funded clubs were able to turn off the lights, layoff employees, and have minimal on-going expenses. Tax paying clubs, however, still had property taxes accruing during the shutdown.

Therefore, I am here today to speak in SUPPORT of an amendment to SB13 that would give the same property tax treatment to all Kansas health clubs. This amendment would NOT include any sales or income tax exemptions, which for profit clubs would continue to pay.

As a former legislator, I fully realize the importance of protecting the tax base. However, the failure to adopt this amendment actually poses a greater threat to the tax base than its adoption. Over the past two decades, when non-profit and government health clubs began their aggressive expansion, over one hundred fifty tax paying clubs have closed. Since members of for-profit health clubs pay sales tax, every time a club closes and members go to non-tax paying facilities, the tax base shrinks. The State loses approximately \$35 per year in sales tax from every member that goes from a tax-paying club to one that does not pay taxes. That costs the State over five million dollars and growing every year.

I thank the committee for your time this morning and urge the adoption of an amendment to remove this unfair tax treatment between competitors and pass SB13 as amended. Thank you very much.