

**Testimony to the House Committee on Taxation
In Support of HB 2445
Lynn Jenkins, for Kansas Health and Fitness Association
March 23, 2021**

Mr. Chairman, Ranking Member Gartner, Vice Chair Mason and honorable members of the House Committee on Taxation, it is a pleasure to be here again this afternoon. 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.

Kansas health clubs are in a unique situation. These facilities fully expect a competitive industry and they spend every day adapting and growing to stay 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. While non-profit and government owned entities certainly compete in other industries, this is the only industry in Kansas that I am aware of where tax paying clubs represent such a small portion of the market compared to other large facilities that pay absolutely no sales tax, no income tax, and no property tax. These non-taxpaying facilities currently have a value of over \$300,000,000 and growing.

Local government operated health clubs have spent over \$100,000,000 in the last fifteen years alone on gigantic facilities, in many cases 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, many 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 mandated reduced capacity upon reopening. During the closure period our competitors were able to turn off the lights, layoff employees, and have minimal on-going expenses. Tax paying clubs, however, still had property taxes accruing.

Therefore, I am here today to speak in SUPPORT HB 2445 that would give the same property tax treatment to all Kansas health clubs, regardless of who owns it. 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 legislation poses a greater threat to the tax base than its adoption. Over the past two decades when government owned 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 annually and growing. The time to act is now.

I thank the committee for your time this afternoon and urge the adoption of HB 2445 to remove this unfair tax treatment between competitors. Thank you very much.