

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on March 13, 2006 in Room 519-S of the Capitol.

All members were present except:
Representative Paul Davis- excused

Committee staff present:
Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Revisor of Statutes
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:
Senator Les Donovan
Chris Hahn, Special Olympics Kansas
Kenny Doonan, Chairman, KS Food Bank
Brian Walker, Exec. Director, KS Food Bank
Julie Hein, Ks Pharmacy Coalition
David Owens, Homeless Come Home

Others attending:
See attached list.

SB 404 - Sales tax exemption for purchase of personal property by certain organization used for the collection, storage and distribution of food products.

Chris Courtwright said that SB 404 would provide new sales tax exemptions for: 1) Property and services purchased by or on behalf of the Special Olympics Kansas, Inc., for the purpose of providing year round sports training and athletic competition for individuals with intellectual disabilities; 2) Sales for certain dietary supplements purchased pursuant to prescription orders; 3) Direct and indirect purchases of property and services used by 501 (C) 3 organizations, when the purchases are used in the collection, storage and distribution of food products to other non-profit organizations, operating programs that distribute such products on a charitable basis. The fiscal note is \$225,000, comprised of \$200,000 for the food distribution, and \$25,000 for Special Olympics. The language related to the dietary supplements is technical in nature.

The Chairman opened the hearing on **SB 404.**

Senator Les Donovan said that for every \$1,000 of sales tax exemption the State loses \$53. If the non-profit receives a \$1,000 contribution from an individual, the state loses \$64.50. The passage of this legislation is a win-win for all (Attachment 1). He introduced members of the Board of Directors: Paul Dugan, Sr., Dugan & Dugan, Wichita; Kenneth C. Doonan, Peterbilt, Wichita; Brian Walker, KS Food Bank, Wichita; and Don Meiergerd, KS Food Bank.

Chris Hahn, President/CEO of Special Olympics Kansas gave a list of seven reasons the Legislature should consider **SB 404.** He said the funds available through the savings of sales tax dollars will be utilized in a program "Special Olympics Healthy Athletes" and five other projects. Funds would also be utilized in a Special Olympics four-part education program (Attachment 2).

Kenny Doonan, Chairman, KS Food Bank thanked the Committee for hearing **SB 404.** He introduced Brian Walker, Executive Director, Kansas Food Bank, who said the Mission statement of the Kansas Food Bank is: 1) To equip, conduct, and maintain food storage and distribution facilities for receiving, storing and distributing food to agencies for distribution to the ill, needy, elderly, and children who need food; 2) To solicit and/or purchase low cost foods which will provide a nutritious meal to all recipients; 3) To advocate for a just and equal existence for people in poverty, so no Kansans will be hungry. His testimony consisted of the History of the program and an overview of their various programs (Attachment 3).

Julie Hein, representing the KS Pharmacy Coalition, said that the Kansas Pharmacists Association

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on March 13, 2006 in Room 519-S of the Capitol.

supports the bill because of the specific provision regarding the sales tax exemption for "Dietary Supplements when prescribed." She provided a definitions attachment for "sales tax exemption," "drug" (Attachment 4).

David Owens, Homeless Come Home, testified in support of **SB 404**. He gave personal experiences with homeless people and cited the effects homelessness has on society. He thanked the Committee for hearing the bill and urged them to pass it out (No written testimony).

Discussion followed regarding definitions, projected revenue savings for food bank and Special Olympics.

Since there were no opponents to the bill, the Chairman closed the hearing on **SB 404**.

SB 535 - No sales taxation of manufacturer rebates to purchasers of new motor vehicles modified to accommodate handicapped persons.

Chris Courtwright said that the bill would provide a sales tax exemption for cash rebates granted by manufacturers to purchasers or lessees of certain new motor vehicles, when such rebates were granted because the vehicles have been or will be adjusted to accommodate handicapped or disabled persons, who cannot walk without assistance. This exemption would only apply when rebates were paid directly from manufacturers to retailers as a result of the original sale. Senator Wagle is the main supporter of the bill from the Senate. This bill deals with a small piece of the legislation that is in Representative Huff's bill currently on the House floor. The fiscal note is insubstantial due to the small qualifier.

The Chairman opened the hearing on **SB 535**.

Noting a lack of proponents or opponents to testify, the Chairman closed the hearing on **SB 535**.

SB 564 - Authorizing countywide retailers' sales tax for Saline county for Expo Center.

Martha Dorsey said **SB 564** would provide Saline County with an additional sales tax authority of one-half percent which would be used for construction and operation of an Expo Center. The tax would require voter approval and would sunset after five years. Senator Brungardt is the principal proponent of the bill. The bill carries no fiscal impact.

The Chairman opened the hearing on **SB 564**.

Discussion followed regarding how this bill might affect other taxes currently in law.

There being no proponents or opponents the Chairman closed the hearing on **SB 564**.

Substitute for HB 2476 - An excise tax

The Chairman opened the discussion on **HB 2476**. He reminded the Committee that they had inserted Representative Siegfroid's amendment into **HB 2476**, which essentially inserts the parts of **HB 2023** that were removed by the Owen's amendment and grandfathers the developmental excise tax and the ticket tax into the document. There had been a motion by Representative Kinzer that failed so they are currently back on the **Substitute for HB 2476**.

Representative Siegfroid said that after their previous conversation regarding a need for more definitive language, he had requested another amendment, which would subtract much of the extra language out of Section 1, which had been the foundation of the problem in the Homebuilders lawsuit. Copies of that amendment were distributed (Attachment 5).

Gordon Self explained that the amendment simply strikes the language "*upon the sale or transfer of personal or real property, or the use thereof, or the rendering of a service*" which clarifies there is no excise tax except for those things specifically listed.

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on March 13, 2006 in Room 519-S of the Capitol.

Representative Siegfried made a motion to amend the balloon into **Substitute for HB 2476**. Representative Brunk seconded the motion.

Discussion followed regarding questions on definitions.

Representative O'Malley said the issue is very broad and complicated and he believed the Committee is moving too fast in making law that will become public policy. He suggested a public hearing that would allow both sides of the issue the opportunity to be heard.

Representative O'Malley made the motion to table **Substitute for HB 2476**. Representative Owens seconded the motion. The motion passed 12-8.

Substitute for HB 2476 is tabled.

The Chairman stated there currently was a bill regarding temporary lodging for children (TLC) and he suggested that Committee members familiar with that issue might bring information for possible inclusion into SB 404, when they work the bill on Thursday or Friday.

The status of Sub-committee reports was given:

Representative Kinzer's committee was going to meet today at noon and hoped to have a sub-committee report this week.

Representative Carlson said that they were meeting with the Utility members at noon today and hopefully would have a report this week. The Chairman reminded the Committee that the Utility Committee must wait for the Taxation Committee to take action.

The Chairman adjourned the meeting at 10:20 A.M. The next meeting is March 14, 2006.