

Approved: _____

Date

3/12/93

MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

The meeting was called to order by Chairperson Keith Roe at 9:00 a.m. on March 11, 1993 in Room 519-S of the Capitol.

All members were present except:

Representative Crowell, excused
Representative Lowther, excused

Committee staff present: Tom Severn, Legislative Research Department
Chris Courtwright, Legislative Research Department
Don Hayward, Revisor of Statutes
Bill Edds, Revisor of Statutes
Lenore Olson, Committee Secretary

Conferees appearing before the committee:

Joe Boyd, CEO, Wichita Convention and Visitors Bureau
Mark Burghart, General Counsel, Department of Revenue
Tad Carper, Director of Marketing, Kansas Expocentre
Bob Corkins, Kansas Chamber of Commerce & Industry
Sara Ullman, Register of Deeds, Kansas Association

Others attending: See attached list

Chairperson Roe opened the hearing on SB 171.

SB 171 Sales tax exemption for fees and charges for participation in certain recreational activities.

Joe Boyd, CEO, Wichita Convention and Visitors Bureau, testified in support of SB 171 said that current Kansas statutes pertaining to prize and entry fee funds create an unfavorable economic climate for the procurement of major conventions, tradeshow, and national sporting events. Mr. Boyd said that the Department of Revenue is asking for \$255,000 in back taxes, interest and penalties for the 1989 American Bowling Congress (ABC) event held in Wichita (Attachment 1). Mr. Boyd responded to questions and said that the ABC headquarters in Greendale, Wisconsin, is responsible for paying the \$255,000. He also said that there are 34 states with similar laws and these states do not plan to enforce these laws.

Mark Burghart, General Counsel, Department of Revenue, commented on SB 171. He said that the American Bowling Congress event wasn't singled out for an audit but if there is a law on the books and a taxpayer who is subject to the law and falls squarely within the tax provisions, the Department can't ignore it. He responded to questions and said that the Department has the ability to waive the penalty on back taxes but not on the interest.

Tad Carper, Director of Marketing, Kansas Expocentre, testified he supports the general idea of SB 171 but is concerned with the bill as is. He suggested that the bill include all special events that are required to pay sales tax on their admission revenue (Attachment 2). Mr. Carper responded to questions and said that any special event that is already paying sales tax on admissions should not be subject to taxation on entry fees or participation charges.

Written testimony in support of SB 171 was submitted by Betty Simecka, Topeka Convention and Visitors Bureau (Attachment 3).

Bob Corkins, Kansas Chamber of Commerce and Industry, testified in support of SB 171. He said that if this bill is not passed, it would entrench a very inequitable precedent in the application of Kansas sales tax code. Mr. Corkins also said that sales tax should not be imposed both upon the participants and upon the spectators, and that the fiscal note is in all likelihood very insignificant.

Chairperson Roe concluded the hearing on SB 171.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, Room 519-S Statehouse, at 9:00 a.m. on March 11, 1993.

Representative Mays was appointed by Chairperson Roe to a Subcommittee on SB 171 to meet at 9:00 a.m. on Monday, March 22, 1993, in Room 519-S, to draft potential legislation for SB 171.

The Chair opened the hearing on SB 252.

SB 252 Protest payment procedure for mortgage registration fees.

Sara Ullman, Register of Deeds, Kansas Association, testified in support of SB 252 and said that this bill is offered in order to clarify and streamline the process of filing mortgage registration protests (Attachment 4).

Chairperson Roe closed the hearing on SB 252.

The minutes of March 10, 1993, were approved as printed.

The meeting adjourned at 10:15 a.m.

The next meeting is scheduled for March 12, 1993.

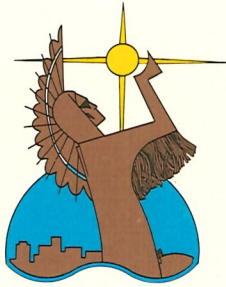
Date: 3/11/93

GUEST REGISTER

HOUSE COMMITTEE ON
ASSESSMENT AND TAXATION

NAME	ORGANIZATION	ADDRESS	PHONE
HAROLD PITTS	AARP-CCTF	Topeka	
Alan Steppert	Pete McGill & Assoc.	Topeka	
Steve Stotts	Revenue	Topeka	
MARK A. BURGHART	REVENUE	TOPEKA	
Ginda Finckham	Register of Deeds	Marysville	
Sara T. Ullmann	"	Olathe	
Roger Truitt	KS Gov Consulting	Topeka	
BEV BRADLEY	KS Assoc of Counties	TOPEKA	
Carl Hill	Ks Motor Carriers Assn	Topeka	
Sherry Graham	Wichita Convention Bureau	Wichita	
Joe Boyd	Wichita Convention Bureau	Wichita	
Bernie Koch	Wichita Area Chamber	Wichita	
Billy Higgins	Topeka CCB	Topeka	
Greg Gilch	KDOC:H	"	
Paul Atkins		Leawood	
FRANK WARR	Intern - Wind	Council Grove	
Cathy Horveman	City of Wichita	Wichita	

WICHITA
Convention &
Visitors
Bureau



Presented To: The Committee on Assessment and Taxation
In-Session
March 11, 1993

Dear Committee Members:

Good morning, I'm Joe Boyd, President and CEO of the Wichita Convention and Tourism Bureau, Inc. in Wichita, Kansas. I'm here today to give testimony in support of Senate Bill 171 as it relates to sales tax exemption from certain fees and charges.

Currently, Kansas tax statutes as they pertain to prize and entry fee funds create an unfavorable economic climate for the procurement of major conventions, tradeshow, and national sporting events.

One example of the negative effects of this statute lies with the 1989 tournament of the American Bowling Congress. Specifically, Wichita was the host city to this event and our community, along with the state of Kansas, reaped the economic benefits of the tournament, which left an estimated \$28 million dollars in direct revenue in the city of Wichita. This contribution in the form of state sales tax to Wichita and Kansas, at a 5% tax collection rate, was \$1.4 million dollars. At the rate of 5% hotel/motel tax, the city of Wichita realized a \$146,000 windfall to the transient guest tax, and with a 1% administrative charge, the state of Kansas recognized \$1,460 dollars as its share of transient guest tax proceeds.

ABC's liability then lies with the assessment of state tax on prize and entry fees which are created as a product of having the

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Attachment 1

event. In addition to all the tax revenue benefits to the state that I have mentioned, the final analysis is that state revenue now wants \$255,000 in back taxes, interest and penalties which was based upon a 5% sales tax rate on ABC's 1989 estimated \$3 million dollar prize and entry fee fund. It should be noted that all monies were collected and distributed from ABC's headquarters in Greendale, Wisconsin.

Broad enforcement by the Kansas Department of Revenue of these type of tax laws will have major impact beyond the boundaries of Wichita, Kansas, as racetracks, golf tournaments, rodeos, and many other forms of athletic events should now be subject to this tax. This could be construed as new revenue, not lost tax revenue.

In view of the revenues to be derived from taxing these types of activities and at all levels of government, this is extremely shortsighted. This taxation will most certainly prohibit Wichita and Kansas from receiving the overall economic benefits of hosting the ABC and other important sporting events in Kansas. Unfortunately, evidence of this was seen during Wichita's recent bid for the 1997 ABC Tournament, during which Wichita was not selected to be the host city. It is clear that adverse feelings towards Wichita and the State of Kansas stemming from this tax assessment played a part in their decision not to return.

I have attached a copy of a letter from Secretary of Revenue Nancy Parrish. Secretary Parrish recognizes the problem that this tax has created for the tourism industry, and has agreed to support the narrow version of Senate Bill 171.

Though we realize that Senate Bill 171 would alleviate Wichita's problem with the American Bowling Congress, it will not include other sporting events in Kansas. It should be recognized that while events such as racing, rodeos, and other sporting events are not the "plum" that ABC is, these other tournaments, which may be state or regional in scope, do make a significant economic impact upon the communities which they take place in.

The city of Wichita is currently ensuing plans to build an 18,000 seat, \$61 million dollar sports arena as part of the efforts to revitalize the city's deteriorating core. A tax such as this would certainly hurt Wichita's efforts to attract large sporting events to the city when such events are not national in scope, and when prize and entry fees will exist.

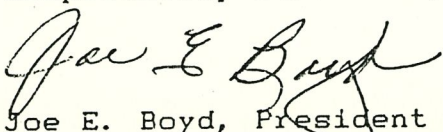
Ladies and gentlemen, I urge you to consider amending these tax laws so that Wichita and Kansas may remain competitive and receive the full economic impact of events of all magnitudes.

At a time when many of our cities in Kansas are losing jobs, the ABC and events such as those at Heartland Park Racetrack here in Topeka provide a constant stimulation of both employment and revenue for the cities and state of Kansas.

Consider the impact of someday again hosting the ABC, and think of bids of this magnitude as competing for General Motors and/or similar industries.

I urge your support of the passage of Senate Bill 171.

Respectively Submitted,



Joe E. Boyd, President
Wichita Convention & Visitors Bureau

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Nancy Parrish, Secretary of Revenue
Robert B. Docking State Office Building
915 S.W. Harrison St.
Topeka, Kansas 66612-1588



(913) 296-3041
FAX (913) 296-7928
Information (913) 296-3909

Department of Revenue
Office of the Secretary

February 5, 1993

Mr. Joe E. Boyd
Wichita Convention & Visitors Bureau
100 S. Main, Suite 100
Wichita, Kansas 67202

Dear Mr. Boyd:

I appreciate having the opportunity to meet with you and Senator Paul Feleciano last Monday regarding sales tax issues.

Kansas sales tax law currently requires the collection of sales tax on entry fees for sporting events as well as on admission fees. I understand your concern about the difficulty attracting major sporting events to Kansas with this provision in Kansas law.

Per your request, my legal staff has drafted an amendment to K.S.A. 79-3603(m) that should place Kansas in a more competitive position in securing major sporting events.

In addition, the language is drafted narrowly enough so that we are not creating a major loophole in our sales tax law. In particular, the amendment would eliminate the requirement of charging sales tax on entry fees for groups such as the American Bowling Congress.

Please feel free to contact me if you need any additional information.

Most sincerely,

A handwritten signature in cursive script that reads "Nancy Parrish".

Nancy Parrish
Secretary of Revenue

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March 11, 1993

Mr. Keith Roe
Committee Chair
House Committee on Taxation
Kansas State Capital

Dear Mr. Roe:

We are submitting this appeal on behalf of the Kansas Expocentre concerning the proposed bill involving taxation of entry fees and charges for participation in special events.

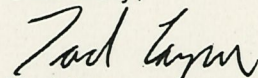
The Kansas Expocentre prides itself on being a "user friendly" place to do business. We attract many special events to our facility based upon this reputation. We are delighted to see the House considering amending the present bill to exempt entry fees and charges for special event participation.

However, we are very concerned about the ramification of passing the bill as is. The Kansas Expocentre hosts a plethora of events that involve entry fees and participation charges in our Livestock Pavilion, Exhibition Hall and Arena that are not directly sanctioned by a "national sporting association". These events bring consumers to our facility and to the community, by the thousands, with virtually all of them spending money in our city and area and subsequently boosting our economy! We simply can not afford to scare them away by making our facility economically unfriendly! The benefits related to not taxing them additionally are paramount to their decision to return again and spend more money in our community, and at our facility. These events are already paying taxes on admission revenue.

We would respectfully suggest that the amended version of the bill include all special events that are required to pay sales tax on their admission revenue. Please help us maintain the Kansas Expocentre, Topeka and the State of Kansas as a "user friendly", and fair place to do business.

Thank you for your consideration.

Sincerely,



Tad Carper
Director of Marketing



Chris Carpenter
General Manager

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Attachment 2

Topeka Convention and Visitors Bureau

3 Townsite Plaza • 120 SE Sixth, Suite 100 • Topeka, Kansas 66603-3515
913-234-1030 • 1-800-235-1030 • FAX 913-234-8282

HOUSE TAXATION COMMITTEE SB 171

TESTIMONY - BETTY SIMECKA, PRESIDENT/CEO
TOPEKA CONVENTION AND VISITORS BUREAU

MARCH 11, 1993

THE TOPEKA CONVENTION AND VISITORS BUREAU WOULD APPRECIATE YOUR CONSIDERATION OF SENATE BILL 171 AND THE IMPLICATIONS OF THE AMENDMENT AS IT NOW READS. THE FACT THAT THE EXEMPTION WOULD ONLY APPLY TO "A SPECIAL EVENT OR TOURNAMENT SANCTIONED BY A NATIONAL SPORTING ASSOCIATION" MEANS THAT STATE AND LOCAL EVENTS WHICH INVOLVE ENTRY FEES AND CHARGES FOR EVENT PARTICIPATION WILL SUFFER DRAMATICALLY.

THE KANSAS EXPOCENTRE WILL ADDRESS THEIR SITUATION; HOWEVER, I WANT TO EMPHASIZE THAT THIS FACILITY IN TOPEKA WOULD BE AFFECTED TO THE POINT WHERE IT COULD CAUSE SERIOUS REPERCUSSIONS IN OUR LODGING INDUSTRY'S OCCUPANCY.

OUR CITY OF TOPEKA'S PARK AND RECREATION DEPARTMENT BRINGS DOZENS OF SOFTBALL, BASEBALL, AND OTHER SPORTING ACTIVITIES TO TOPEKA WHICH INVOLVE ENTRY FEES. THE ECONOMIC IMPACT UPON THE CITY IS CONSIDERABLE TO HAVE THESE STATE-WIDE TOURNAMENTS HELD IN TOPEKA AND WE DON'T WANT TO DISCOURAGE ANY ORGANIZATION'S PARTICIPATION.

STATE BOWLING TOURNAMENTS ARE A CONVENTION/SPORTING EVENT WE ALL PURSUE AND SOME OF THEM LAST OVER 4 MONTHS BRINGING LITERALLY THOUSANDS OF DOLLARS TO A CITY'S ECONOMY.

I APPRECIATE YOUR TIME AND EFFORTS REGARDING THIS BILL. THANK YOU.

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Attachment 3

REGISTER OF DEEDS

KANSAS

ASSOCIATION

PRESIDENT Charlotte Shawver
VICE-PRESIDENT Janice Gillispie

Rose Ann Rupp SECRETARY
Sharlene Wright TREASURER

TO: House Taxation Committee

FROM: Sara F. Ullmann, Johnson County and Linda Fincham, Marshall County
Co-Chairs Legislative Committee, Register of Deeds Association

RE: Mortgage Registration Protest Procedures

DATE: March 5, 1993

Thank you for the opportunity to testify on S.B. 252.

This bill is offered in order to clarify and streamline the process of filing mortgage registration protests. Currently, mortgage registration protests are handled via K.S.A. 79-2005(c) which deals with protests for property taxes. This bill removes mortgage registration protests from that statute and establishes procedures directly under K.S.A. 79-3102(a). K.S.A. 79-3102 is the statute which deals with mortgage registration tax. This bill clarifies that mortgage registration protests shall be made within 30 days after the time of paying the fees in question. It provides for forms specific to mortgage registration tax protests. It removes the appraiser from the process, since the appraiser plays no part in the collection of such fees. It requires the Register of Deeds to file such protests directly with the Board of Tax Appeals.

I have contacted the director of Property Valuation Division and he has no objection to developing and providing specific forms for mortgage registration protests. I have talked with Becky Sanders, General Counsel for the Board of Tax Appeals, and although she had not officially taken her position at the time, she advised that she would provide the information concerning the bill to the board, and didn't believe they would have any objection. The Appraiser's association has no objection. I have contacted the Kansas Bar Association and am not aware of any objection from their members.

We again thank you for the opportunity to testify and are available for any questions.

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Attachment 4