

Approved: 2/15/94
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

The meeting was called to order by Chairperson Keith Roe at 9:00 a.m. on February 10, 1994 in Room 519-S of the Capitol.

All members were present except: Representative Krehbiel, excused
Representative Pottorff, excused
Representative Wagon, excused
Representative Wempe, excused

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

Conferees appearing before the committee:
Secretary Nancy Parrish, Department of Revenue
Representative Vince Snowbarger
Herb Fitzpatrick - Commissioner, Olathe Babe Ruth Baseball, Inc.
Brad Statler - Johnson County Youth Baseball League
David White - President, Southwest United Soccer Club
Mark Tallman - Kansas Association of School Boards
Kevin Connealy, Johnson County Soccer League
Gary Kuntz - State Commissioner, Babe Ruth Baseball Leagues
Tom Hayes - Shawnee Soccer Club
Ivan Barnett - Sunflower Soccer Association
Jack Spahr - Johnson County Girls Athletic Association

Others attending: See attached list

Chairperson Roe opened the hearing on HB 2802.

HB 2802 - new sales tax exemption on entry fees for youth sports activities.

Representative Vince Snowbarger testified in support of HB 2802. He said that as a result of audits by the Department of Revenue, youth sports organizations have been assessed taxes, interest and penalties for sales tax on registration fees paid by the children to participate in youth sports activities. The same activities, operated by political subdivisions, are not subject to sales tax, which he said is clearly inequitable. He also said that he hopes the language in this bill is broad enough to include "sponsor" fees (Attachment 1).

Herb Fitzpatrick, Olathe Babe Ruth Baseball, Inc., testified in support of HB 2802. He said that his organization will be increasing their fees for 1994 to cover the sales tax expense. Mr. Fitzpatrick also said that it's hard to believe that sales taxes were intended to be collected from youth organizations' registration fees and local merchants' sponsorship donations (Attachment 2).

Brad Statler, Johnson County Youth Baseball, testified in support of HB 2802 and said that his organization was audited last August by the Kansas Department of Revenue and found to be in non-compliance with the retail sales tax law as it is currently written. Mr. Statler also said that not even their accountants knew they were required to pay this tax and the organization cannot afford to pay the delinquent sales tax they never collected from 1990 through 1992 (Attachment 3).

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, Room 519-S Statehouse, at 9:00 a.m. on February 10, 1994.

David White, Southwest United Soccer Club, testified in favor of HB 2802. He said that the Department of Revenue audits that have taken place so far have been very selective and primarily centered on large youth sports organizations in Johnson County. Mr. White stated that his organization would have to disband if they have to pay the assessment, interest and penalties and then hire counsel to appeal the assessment through the proper channels (Attachment 4).

Mark Tallman, Kansas Association of School Boards said that they have no objection to the provisions of HB 2802 which would extend this exemption to certain youth sports activities and organizations. He also said that they understand the intent of the bill would maintain the exemption for schools (Attachment 5).

Kevin Connealy, Johnson County Soccer League, testified in support of HB 2802. He said that an assessment of sales tax, especially prior years' taxes could very well put some youth recreational sports groups out of service (Attachment 6).

Gary Kuntz, Kansas Babe Ruth Leagues, testified in support of HB 2802. Mr. Kuntz said leaving the law as it is presently and going back three years would probably bankrupt many of the Babe Ruth Leagues in Kansas and leave 3,000 to 5,000 Babe Ruth baseball players with no summer baseball program (Attachment 7).

Tom Hayes, Shawnee Soccer Club, testified in support of HB 2802 and said that the thought of paying back taxes, fines and penalties would completely ruin their organization (Attachment 8).

Ivan Barnett, Sunflower Soccer Association, testified in support of HB 2802. Mr. Barnett requested that the bill be amended by deleting the word "exclusively" in line 33 and inserting in lieu thereof the word "primarily" (Attachment 9).

Secretary Nancy Parrish, Department of Revenue, commented on current law on collecting the sales tax on entry fees and other activities of youth groups. She said it is neither a new law nor is it a new interpretation of the law. The Secretary also said that the Department is not targeting non-profit groups for audits and they have done what they can with the budget they have to notify these groups that these activities are taxable (Attachment 10).

Jack Spahr, Johnson County Girls' Athletic Association, testified in support of HB 2802 and said that they were the first non-profit organization subjected to a state audit four years ago and were not aware of the sales tax obligation. Mr. Spahr stated the back taxes were a very heavy burden which curtailed their plans for expansion, equipment purchases and improvements (Attachment 11).

Written testimony in support of HB 2802 was submitted by Schools for Quality Education (Attachment 12).

Chairperson Roe concluded the hearing on HB 2802.

The meeting adjourned at 9:58 a.m.

The next meeting is scheduled for February 11, 1994.

HOUSE TAXATION COMMITTEE

DATE 2/10/94

NAME

ADDRESS

REPRESENTING

Ivan Barnett	4150 SE DYRE. Tecumseh	Sunflower Soccer
HAROLD PITTS	TOPEKA	AARP. GETF
WALT DARLING	TOPEKA	DIV. OF BUDGET
David W. White	Overland Park, KS	Southwest White Soccer Club
Robert E. Fitzgerald	921 FOREST OLAH	olathe Babe Ruth League
PAUL M. ODLE	10776 HAUSER DR. KANEXA, KS.	OLATHE BABE RUTH BASEBALL
MARK A. BURGHART	TOPEKA	REVENUE
Steve Stotts	"	"
Kevin Connolly	Overland Park, KS	Jo County Soccer
BICK McPherson	Overland Park, KS.	Blue Valley Basketball Club
LAURA KELLY	STG 705 700 JACKSON TOPEKA	KS RECREATION + PARK ASSN
Jeff Chalm		
Tom Hayes	6431 widmer Shawnee KS	Shawnee Soccer CLUB
Mary Reeves	6514 Hallet Shawnee KS	Shawnee Soccer Club
JACK SPAHR	5911 W 84 O.P., KS	Johnson County Girls Athletic Assoc.
BROD STATLER	6616 W 69 ST O.P., KS	Johnson County Youth Bureau
Mark Tallman	Topeka	KASB
Lain Jorya	KCTD Fairway, KS	KCTV
James Johnson	Topeka	Western Resources
Alan Steppat	Topeka	PETE McBill + Assoc.
Allie Devine	Topeka	KLA
Michelle Clum	Topeka	att. Jon Small
Sam Chan	Topeka	RUEA
Connie Hueschel	Topeka	SHO of SE

HOUSE OF REPRESENTATIVES
STATE OF KANSAS

REPRESENTATIVE, 26TH DISTRICT
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TOPEKA

VINCENT K. SNOWBARGER
MAJORITY LEADER

COMMITTEE ASSIGNMENTS
CALENDAR AND PRINTING, CHAIRMAN
INTERSTATE COOPERATION
LEGISLATIVE COORDINATING COUNCIL

TESTIMONY BEFORE THE HOUSE TAXATION COMMITTEE

FEBRUARY 10, 1994

H. B. 2802

In recent years, the Department of Revenue has begun to audit organizations like Little League, Babe Ruth Baseball, girls' softball organizations, soccer associations, etc. As a result of the audits, the Department has begun to assess taxes, interest and penalties on these organizations for sales tax on registration fees paid by the children to participate in these activities. The same activities, operated by political subdivisions, are not subject to sales tax.

While this is current law, it is also clearly inequitable. For the most part, these are organizations that are volunteer. They attempt to allow the broadest participation they can, often providing opportunities even to those who cannot afford the fees. I think it is also fair to say that if these organizations did not provide these opportunities, there would be pressure on local government to provide these activities at some cost to the taxpayers. Certainly, they could not generate the volunteer support characteristic of the private organizations.

H. B. 2802 provides sales tax exemption for registration fees paid by children to participate in recreational activities provided by a "youth recreation organization." To qualify for the exemption, the organization must be a 501(c)(3) organization, and provide these activities to persons

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Attachment 1

under age 18. The fees exempted are those paid for participation in sports, games and other recreational activities.

New section 2 provides that any determination of assessment prior to the effective date is null and void. Because the tax has not been enforced in the past, the fiscal note should be minimal.

One final note, the bill as written does not address "sponsor" fees. In discussing this matter with others, I found that there are fees paid by others (teams, corporate sponsors, etc.) which might not fall in the category of fees protected. Although I feel the language is broad enough to include these, the committee may want to consider adding more specific language.

Thank you for your consideration. I realize this bill provides the opportunity for a lot of "sales tax mischief." I hope we won't play games with this bill designed to protect our children's activities.

TESTIMONY PRESENTED

to the

KANSAS STATE HOUSE OF REPRESENTATIVES
House Taxation Committee

Topeka, Kansas

in the matter of House Bill #HB2802

Supported By

Olathe Babe Ruth Baseball, Inc.
921-B West Santa Fe
Olathe, Kansas 66061

Presented By: Mr. Herb Fitzpatrick,
Commissioner, OBRB, Inc.
913-782-8109

Submitted: February 10, 1994

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House Taxation Cmte
Attachment 2

OLATHE BABE RUTH BASEBALL, INC.

Olathe Babe Ruth Baseball, Inc. is a community youth development program. In 1993 it accommodated 2,200 youth participants, ranging in ages from 7-to-16 years who resided within the Olathe, Kansas school district.

It is classified and operates within Sections 501(c)(3), 4941(d) 4942, 4943(c), 4944, and 4945(d) of the IRS Code and Regulations. It is also a 'not-for-profit' incorporated public organization, its Articles of Incorporation are filed with the Secretary of State's office, and the organization is chartered and registered with both the Kansas Babe Ruth Leagues, and the National Babe Ruth League's organization, located in Trenton, New Jersey.

The program works and coordinates its activities in conjunction with the Olathe school district system and the City's Parks and Recreation Department.

The program is managed and operates primarily through the efforts of approximately 300 community adult volunteers/citizens.

The principle policies of the program is that no participant is refused an opportunity to participate! The 'no-cut' and 'playing time' policy requirements are enforced!

Considering the community youth problems that we are experiencing today (i.e., gangs, drug abuse, juvenile delinquency, etc.), this program attempts to offer a positive and constructive opportunity to pre-teens and teenagers.

OLATHE BABE RUTH BASEBALL, INC.

We were only made aware of the Kansas Retail Sales Tax Law, K.S.A. 79-3603, paragraphs (M) & (E) within the last six (6) months. It came as a big shock! Outstanding taxes due for 1991, 1992, and 1993 plus any penalties would be a substantial burden for this program. We only budget from year-to-year with little or no carry over which leaves us searching occasionally for means of raising funds. We will be increasing our fees for 1994 to cover the 6.5% sales tax expense.

As I mentioned before, this is a community non-profit volunteer program, complemented by community institutions (education & parks and recreation), was designed to teach a system of principles, values, and sportsmanship - things that are common to family, professional, and school life - to youth within our community. Personally, I would prefer to pay the volunteers who labor for this organization before paying taxes to the state of Kansas. I don't get a penny for my time and efforts! But either way, it would increase the fees and that is something we try to avoid.

It's just hard to believe that our sales taxes were intended to be collected from youth organizations' registration fees and local merchants' sponsorship donations.

PLEASE HELP US AND SUPPORT HOUSE BILL #2802!

Thank You,

Mr. Herb Fitzpatrick,
Commissioner, OBRB, Inc.

**JOHNSON COUNTY YOUTH BASEBALL
LEAGUE, INC.**

P.O. BOX 12444

OVERLAND PARK, KS 66212

(913) 894-BALL

Feb. 10, 1993

RE: House Bill 2802

Mr. Chairman, members of the Tax Sub-Committee, my name is Brad Statler, I am the Dir. of Operations for Johnson County Youth Baseball, located in Overland Park, KS. We are now entering our 30th year of operation and registered over 2,700 children in our 1993 summer program making us possibly one of the largest youth baseball organizations in Eastern Kansas, if not the entire state. I and others are here today on behalf of not only our children, but for the tens-of-thousands of other children, their parents and the thousands of volunteers who participate in organized baseball, softball, soccer, football, basketball and other sports. These are the people whose programs will be directly impacted by the non-passage of House Bill 2802.

Without the benefit of government assistance or financial aid, our non-profit organizations continue to attract and serve our communities in the areas of healthful and instructional supervised family sports and activities. Our volunteers serve freely without regard for financial compensation or reward. You see our reward is when a child smiles after getting a base hit, laughs with his friends when they make a silly mistake and know they will do better the next chance they get, or even blush when their mothers give them a big hug and kiss in front of their teammates after a close game.

Most of our organizations do not have the luxury of being funded or assisted by local city or county park and recreation departments. To do so would require a tax increase of some sort to fund these programs. And even when these programs are government funded in some manner, which happens to be the case with a neighboring youth sports organization in our area, they must still charge similar or even higher fees than we do. And I must add, they are not required to charge and collect sales tax on their registration and sponsor fees.

We are asking you, our elected representatives, to treat our non-profit organizations more like you do our parks and recreation departments throughout the state. After all, we're doing the job that they should be doing if they had the funding.

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House Taxation Cmte
Attachment 3

Since our members grow older and change each year, the burden of operating and managing these non-profit sports organizations passes on from one group to the next. Almost always, these volunteers are not professional managers or financial wizards who operate large successful businesses. For the most part they are average citizens and parents trying to do the best they can with what they have. And I think they do a pretty good job at that!

Our organization was audited last August by the Kansas Dept. of Revenue and found to be in non-compliance with the Retail Sales Tax law as it is currently written. We had always collected and paid sales tax on the concessions that we sold, but never on registration and sponsor fees. The problem is not that we can't afford to pay these sales taxes on our registration and sponsor fees. The problem is that nobody knew we were required to do it..... not even our accountants! I think that's evident by the number of organizations represented here today from all over the state. We were informed that we owed over \$58,000.00 in uncollected Retail Sales Taxes for the period of 1990 through 1993. With interest and penalties this totalled just over \$90,000.00. We were stunned to say the least. We had just survived the flood of 1993 which caused over \$20,000.00 in un-insurable (see attached photo) damage to our ball park and now this, a \$90,000.00 tax bill.

As a token of good faith we recently paid the Dept. of Revenue over \$17,625.00, which represented the Retail Sales Tax due from our organization for the year 1993. This tax bill was paid out of the money we were going to repair our flood damaged ball fields. We are further conforming to the tax laws by charging and collecting sales tax on our 1994 registration and sponsor fees. We, however, cannot afford to pay the delinquent sales tax that we never collected from 1990 through 1992. That totals over \$72,000.00. We just don't have it. House Bill 2802 would relieve us of that tax burden by forgiving organizations like ours the payment of any uncollected sales tax obligation, just as the Dept. of Revenue has previously forgiven other non-profit sports organization their uncollect sales tax bills when they began to conform to the law.. The passage of House Bill 2802, would certainly save many non-profit sports organizations, like ours, from possible bankruptcy.

In an all important election year, when media attention runs at a fevered pitch, please send your constituents a loud and clear message that you really care. Pass House Bill 2802.

THE SUN SPORTS

Another excuse

SPORTS TALK

Charlie Redfield

Sports Editor



There is an old sports slogan — there is no I in team.

But in the state of our society today, there is an I in the spelling of team. It's all for me and I am never to be blamed.

It is unbelievable the lengths that our society goes to absolve the individual of the blame for his/her actions.

All you have to do is read the papers to see the excuses made for all types of different behavior patterns.

Now it has even reached the world of sports.

The two favorite targets for losses are coaches and officials.

It is never the youngsters fault that a contest is lost. It's the fault of either/or both the coaches and officials.

It's amazing the lengths that some adults will stoop to make excuses for their kids.

Come on! Every game has to have a winner and a loser. There are very few sports where ties are still permissible. Let's be a little more realistic about where the fault lies when a team drops a contest. Could it be that the other team was more talented? Never.

It starts in the youth programs and advances up through the high school ages. The villains of sports are coaches and officials. Without these people, all teams would be undefeated.

Now a new level may be reached. A group of people is trying to get shortness declared a disease so that doctors could give youngsters growth hormones. This would make them taller and not allow them to be ridiculed as short. And maybe allow them to get those basketball scholarships.

You have to be kidding. What is American society coming to?

Bishop Miede has found a new boys' soccer coach after Denny Lee resigned this spring. Lee is only going to coach the girls this coming school year.

The new coach is Joe Huppe, a lifelong area resident and a graduate of Miede and Rockhurst College. He has had 14 years coaching experience in youth soccer.

His son, Scott, was an All-Sun Country pick last fall for the Stags as a senior. He will continue playing for Rockhurst College this fall.

Saturday flood hinders youth and adult sports

The JCYB Complex was under water

By Charles Redfield
Sun Sports Editor

The rain came in sheets between midnight Friday and the early morning hours on Saturday morning as it has come all spring and summer.

And again there was a definite effect on the Sun Country sports scene.

Probably the hardest hit has been Johnson County Youth Baseball (JCYB). The JCYB Complex at 148th and Kenneth was built on the flood plain of the Little Blue River. It was underwater Saturday morning.

"The fences are all washed out and the fields were flooded," general manager Rick DelPercio said. "It has dampened our spirits, but we will be okay."

JCYB has had in the neighborhood of 600 games rescheduled by the weather this spring and summer.

"Everything that has been rained out will be rescheduled," DelPercio said.

The organization expected to play Monday on several school fields that they use.

"The Complex situation is day-to-day," DelPercio said. "We have a crew working today (Monday). Once it is cleared off, it will be two days before we can play."

JCYB has 2,730 boys playing in kindergarten through high school.

On the other end of the spectrum is the Johnson County Girls' Athletic Association (JCGAA).

The JCGAA Complex was in use by noon on Saturday despite the deluge of rain.

"Our fields are well built and maintained," facility manager Jody Gill said. "We are protected by a railroad berm. The water came up to it and stopped. If it hadn't been there, we would have been underwater."

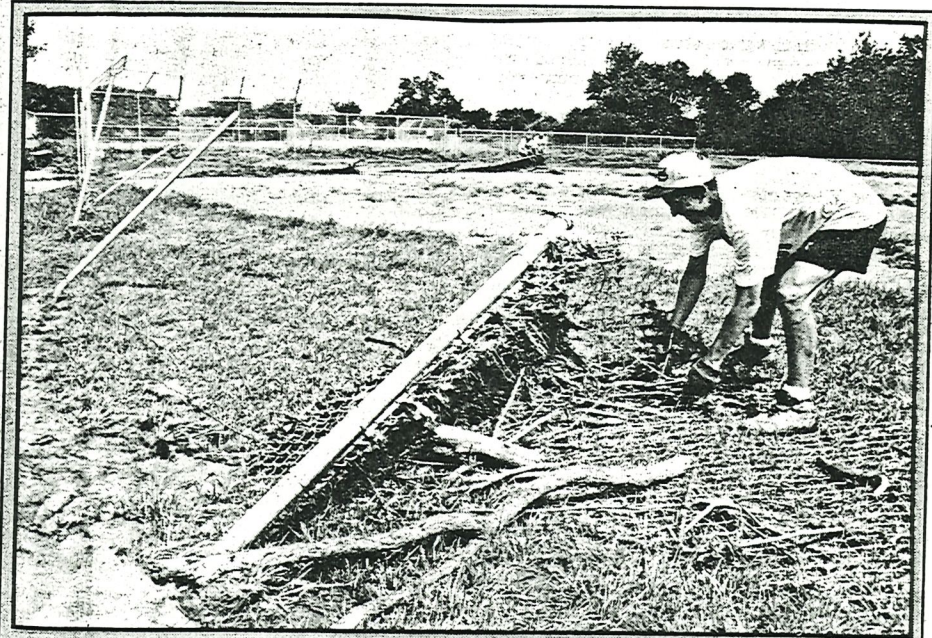
A short deluge on Sunday, forced the cancellation of games. "We could have played, but it would not have helped the fields after we had played on them Saturday," Gill said.

JCGAA is about 35 games behind because of the rains, but the season is expected to end on time, according to Gill.

Johnson County 3&2 has had about 500 games rained out this spring and summer, but the organization was lucky Saturday.

"We had five inches of rain out here, but we were able to play our 6:30 and 9 p.m. games Saturday night," general manager Jeff Chalk said. "We had to pump a lot of water out of the dugouts, but other than that we were able to play."

3&2 has extended its regular season by three days. The season was suppose to end on July 22, but will now end on July 25.



RAIN DELAY AT JCYB — Floodwaters from the Little Blue River flooded the Johnson County Youth Baseball Complex Saturday. Todd Middleton of Lenexa, right, worked with Kurt Dunn of Lenexa and Matt Robertson of Overland Park, rear, who were among the workers at the Complex Tuesday morning to clean up the damage.

The playoffs will start Monday July 26. Barring more rain, the playoffs should end on Aug. 2.

"No more games will be made up, unless the opponents do it themselves," Chalk said.

Public relations director Jane Cless, who has been involved with 3&2 baseball for 28 years, said this is the worse season she has seen. Usually, she may have two pages of rainouts for a division, but this year she is up to four.

The Blue Valley Recreation baseball and softball program were not effected as much by the deluge as expected, according to recreation supervisor Jeff Todd.

"We were not hit as hard as we expected," he said. "We didn't play any games on Saturday, but were able to play on Sunday. The fields are in good shape."

The season for the younger softball girls will be extended by about a week-and a-half, but baseball should end on time, according to Todd.

BVRC has had 80 softball games and 250 baseball games rained out this season.

On the adult softball scene, Miller's Woods has lost 80 games to the rain on the two nights that the adults use the complex.

At the Mid American Sports Complex, the Saturday morning deluge flooded four fields under construction and put water on several other diamonds. A tournament was postponed to another weekend, but league play was resumed Sunday night.

The Johnson County Park and Recreation District was hosting the 1993 Corporate Challenge Tournament at two locations, Stoll Park and Heritage Park, on Saturday. Action was suppose to start at 9 a.m. but was pushed back to 3 p.m.

"Our fields are in pretty good shape," adult league supervisor D.J. Breitbach said. "We use a special mixture of limestone and sand that allows them to dry quicker."

The district also plays games at Shawnee Mission Park.

According to Breitbach, the district hasn't lost too many games to the rains this spring and summer.

HOUSE COMMITTEE ON TAXATION

KANSAS LEGISLATURE

H.B. 2802

**TESTIMONY OF:
DAVID W. WHITE, PRESIDENT
SOUTHWEST UNITED SOCCER CLUB**

February 10, 1994

*2/10/94
House Taxation Cmte
Attachment 4*

Good morning. My name is David White and I am here to testify in favor of House Bill 2802. While I am a practicing attorney in Johnson County, I am here as President of the Southwest United Soccer Club in which I serve as a volunteer. Our club is a private non-profit association which organizes outdoor soccer teams and competition for children from the ages of 5 through 18 in Overland Park and Lenexa, Kansas. The territory that is covered by our club centers primarily in the 16th, 30th and 39th House Districts. However, we also have members and children reside in parts of six adjacent House Districts. Therefore, I believe we can speak not only to our club's specific situation but to that generally experienced by youth activities in Johnson County, Kansas.

The reason we are here is because the Kansas Department of Revenue has recently interpreted the sales tax provisions of K.S.A. 79-3603(e) to include the registration fees that our children pay to our club when they register to sign up to play on one of our teams. It is my understanding that prior to 1993, this was not an area that was pursued by the Department of Revenue and that the audits that have taken place so far have been very selective and primarily centered on large youth sports organizations in Johnson County. The reports we have received from other amateur youth sports organizations is that the Department of Revenue is conducting audits to determine the amount of the registration fees that are collected and to assess sales tax on these receipts going back three (3) years which I understand is the statute of limitations. While I understand that ignorance of the law is no excuse, I sincerely believe that a fair reading of K.S.A. 79-3603(e) does not justify such an assessment. However, in order for us to effectively challenge this, I understand, we not only have to go through an audit, but we must also pay the assessment, interest and penalties and then hire counsel to appeal the assessment through the proper channels. To finance such a process is an impossibility for clubs such as ours

and essentially would cause us to disband. Believe me, it is hard enough getting volunteers to spend their time coaching children, and performing the organizational tasks that are necessary to keep a club such as ours running smoothly, but to know that there is lurking out there the possibility of being assessed several thousand dollars in back taxes is quite scary for me as the new president of the club and frankly has put quite a damper on our ability to attract new volunteers.

Our club organizes only outdoor soccer competition. We have no connection with any of the indoor soccer facilities. As a result, our teams play in two seasons that being fall and spring. Our Club runs on a break-even basis. As a matter of fact in the last two (2) years we have run at a slight deficit that has only been offset from drawing down the small reserves that we have. We feel that this is in the spirit of the non-profit nature of our Club. Therefore we are not taking these registration fees and using them to feather our own beds or to make extravagant purchases. Our organization is an entirely volunteer organization. The registration fees that our children pay are used to pay the expenses of operating our club. On a per team basis, we pay a registration fee to the Johnson County Soccer League which is the umbrella organization under which we operate. The money that is not forwarded to the Johnson County Soccer League for team registration fees is used to purchase soccer balls, goal nets, goalie shirts, and ,for our younger children, uniform jerseys. In each one of these cases, we pay sales tax to our vendors. Our remaining dollars are spent in hiring some of our older players to act as referees for the younger children. I should mention that for the most part, all of our teams are organized on a "come as you are" basis. That means that children are randomly assigned to teams based upon geographic location and the schools they attend. We attempt as much as possible keep children with their school classmates and/or their neighbors.

The thing that concerns me the most about the current Department of Revenue audits is that any revenue generated for the state by such taxes seems to me to be minuscule as compared to the dollars that are actually needed to meet the current expenditures. Make no doubt about it, the impact of this policy on youth sports will not be confined to Johnson County or to soccer organizations. The impact of this tax will be felt in baseball, basketball, and swimming also. Organizations such as ours exist throughout the state and under the current Department of Revenue interpretation are theoretically subject to this sales tax. Therefore, I believe the current law not only is unworkable, but if enforced as the Department of Revenue currently proposes, would effectively reduce the opportunities available to our children to participate in sports. In an effort to gain additional revenue for the State by collecting 3 years of back taxes, the State of Kansas is turning its back on these very important activities and essentially saying to our children: " We do not care if it bankrupts your sports organizations but we want our money." This would seem to be contrary to our public policy of developing and nurturing our children.

House Bill 2802 is a reasonable alternative to this disastrous scenario. By exempting from the sales tax youth sports organizations that qualify under Section 501(c)(3) of the Internal Revenue Code, you are recognizing the need for these organizations. Please realize that this is not necessarily an easy way for our club to qualify for such an exemption. As I mentioned before, our club is an unincorporated non-profit association. In order to qualify under House Bill 2802, we not only are required to incorporate, but we need to hire counsel to assist us in applying for the tax-exempt status from the federal government. This we believe will conservatively cost us approximately \$2,500.00. Nevertheless, we believe that it is a reasonable solution to the existing problem. However, should you decide that this is not the way to go

about handling this dilemma, I would ask that, at a minimum, provide some moratorium on enforcement of this tax so that we in the volunteer youth sports organizations can set up the mechanisms necessary to collect sales tax on our current receipts and to remit it to the proper authorities. We hope that you can provide us some relief from any back taxes, interest and penalties. If you don't, the State may get its taxes this time, but there will be no organizations to tax in the future.

As a final note, I must let you know that I have talked of several of my peers in other youth sports organizations. They are not here today out of fear. They believe and have been told by their attorneys that if they have the courage to identify themselves before this committee that they will be immediately subject to an audit by the Kansas Department of Revenue. While I am not certain whether or not the Department of Revenue has representatives in this committee room, I realize that I run that risk for my club. I hope that this committee will not allow such a thing to happen. I thank you for your time and I ask that you favorable report House Bill 2802 to the full House. Thank you.



**Testimony on H.B. 2802 Before the House Committee on Taxation
By Mark Tallman, Director of Governmental Relations**

February 10, 1994

Mr. Chairman, Members of the Committee,

Thank you for the opportunity to comment on H.B. 2802. This bill was called to our attention because it amends the statutes providing a tax exemption for participation fees sponsored by political subdivisions, which include school districts. We understand that the intent of the bill would maintain the exemption for schools. We would urge you to do so.

While not directly involved, we certainly have no objection to the provisions of this bill which would extend this exemption to certain youth sports activities and organizations. Such organizations can be important partners with school districts in serving the recreational needs of young people. We encourage that relationship.

Thank you for your consideration.

*2/10/94
House Taxation Cmte
Attachment 5*

STATEMENT
TO
THE HOUSE TAXATION COMMITTEE
STATE OF KANSAS

SUBJECT: SALES TAXES ON YOUTH RECREATIONAL ACTIVITIES

STATEMENT BY: KEVIN J CONNEALY, REPRESENTING THE JOHNSON
COUNTY SOCCER LEAGUE

I AM A CERTIFIED PUBLIC ACCOUNTANT IN OVERLAND PARK, KANSAS
AND I HAVE SERVED AS A COACH, CLUB OFFICER, OR FINANCIAL
ADVISOR TO YOUTH SPORTS ORGANIZATIONS FOR

5 SEASONS IN YOUTH BASEBALL
20 SEASONS IN YOUTH SOCCER
8 SEASONS IN YOUTH BASKETBALL

AND I AM SPEAKING TODAY ON BEHALF OF THE JOHNSON COUNTY
SOCCER LEAGUE. THE JOHNSON COUNTY SOCCER LEAGUE REPRESENTS
YOUTH SOCCER CLUBS THAT HAVE SOME 9000 CHILDREN
PARTICIPATING TWICE A YEAR IN SOCCER PROGRAMS FOR ALL AGES.

AS IS THE CASE WITH MOST YOUTH SPORTS ORGANIZATIONS, THE
JOHNSON COUNTY SOCCER CLUBS HAVE RECREATIONAL PROGRAMS,
WHEREBY NO YOUTH IS REJECTED BASED UPON HIS OR HER ABILITY
OR SKILL LEVEL. WE FIND A TEAM THAT WILL OFFER THE YOUTH A
CHANCE TO PARTICIPATE.

THE SINGLE LARGEST REASON FOR A YOUTH TO NOT PARTICIPATE IN
RECREATIONAL YOUTH ACTIVITIES IS COST. THE CLUBS OR TEAMS
MUST CHARGE A FEE TO THE PARTICIPANT TO DEFRAY THE COSTS OF
RUNNING THE LEAGUES. FEES CHARGED FOR PARTICIPATION ARE
COMPRISED OF:

- A-REFREE/UMPIRE SERVICES
- B-FIELD RENTAL AND UPKEEP
- C-PRINTING, SCHEDULING AND OTHER SERVICES
- D-PICTURES AND AWARDS (MANY TIMES WITH SALES TAX PAID)

THESE LEAGUES ARE CURRENTLY RUN BY VOLUNTEERS WITH VERY
LITTLE IN ADMINISTRATIVE CHARGES. MOST LEAGUE HAVE RULES
THAT WILL NOT ALLOW OFFICERS OR DIRECTORS TO RECEIVE ANY
COMPENSATION FOR THEIR SERVICES. VOLUNTEERS GIVE HUNDREDS
OF HOURS TO THESE YOUTH LEAGUES. THE REASON FOR SUCH
SUBSTANTIAL, SEEMINGLY TIRELESS EFFORT OF THE PART OF SO
MANY VOLUNTEERS IS NOT SOME SELFISH MOTIVE OR PROFIT MAKING
VENTURE TO THE ORGANIZATION; BUT IT IS BECAUSE THE MEN AND
WOMEN WHO ORGANIZE, ADMINISTER, AND COACH IN THESE YOUTH
ACTIVITIES FIND:

- 1) THE PROGRAMS ARE PHYSICALLY AND MENTALLY GOOD FOR THE
KIDS
- 2) THE PROGRAMS ARE OFTEN NOT OFFERED BY THE LOCAL SCHOOLS,
CHURCHES OR PARKS DEPARTMENTS

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- 3) THE PROGRAMS ALLOW THE VOLUNTEERS TO SPEND TIME WITH THEIR OWN KIDS AND OTHER KIDS-SETTING A GOOD EXAMPLE AND TEACHING THE CHILDREN ALL THE GOOD LESSONS THAT CAN BE LEARNED FROM TEAM SPORTS
- 4) THE PROGRAMS ALLOW THE VOLUNTEERS TO GIVE BACK TO THEIR COMMUNITY AND HELP OTHERS

AGAIN I MUST EMPHASIZE THAT COST IS THE NUMBER ONE FACTOR THAT DECREASES PARTICIPATION IN YOUTH RECREATIONAL ACTIVITIES. THE ABILITY TO PAY IS NOT HOW YOUTH RECREATIONAL ACTIVITIES ARE SUPPOSED TO BE RATIONED. IF A SALES TAX IS CHARGED ON YOUTH SPORTS ACTIVITIES, THE VARIOUS CLUBS AND ORGANIZATIONS WILL HAVE TO RAISE THEIR FEES TO PAY SUCH A TAX. THIS WILL CAUSE MANY KIDS TO NO LONGER PARTICIPATE BECAUSE OF THE COSTS TO THEIR FAMILIES.

IF YOUTH ACTIVITIES ARE OFFERED BY A SCHOOL, CHURCH, OR LOCAL PARKS DEPARTMENT THEN SALES TAX IS NOT CHARGED; BUT IF THE SCHOOL DISTRICT OR LOCAL CITY OR COUNTY DOES NOT OFFER YOUTH RECREATIONAL SPORTS ACTIVITIES, THEN OTHER ORGANIZATIONS HAVE TO STEP-UP TO GIVE THE KIDS A CHANCE TO PLAY. A SALES TAX ON YOUTH RECREATIONAL AND SPORTS ACTIVITIES GIVES AN ADVANTAGE TO THE CHILDREN IN THE MORE WELL-TO-DO AREAS WHERE RECREATION COMMISSIONS OR HIGH TAX PARKS DEPARTMENTS CAN SUBSIDIZE THE COSTS BY NOT CHARGING SALES TAX AND BY USING PAID ADMINISTRATIVE HELP.

AN ASSESSMENT OF SALES TAX, ESPECIALLY PRIOR YEARS' TAXES, COULD VERY WELL PUT SOME YOUTH RECREATIONAL SPORTS GROUPS OUT OF SERVICE. AT THE VERY LEAST, THESE ORGANIZATIONS WILL LOOK FOR WAYS TO REDUCE COSTS BY REDUCING SERVICES AND THE ACTIVITIES OFFERED; OR BY PASSING THESE ACTIVITIES ON TO THE LOCAL CHURCH, SCHOOL BOARDS, AND PARK DEPARTMENTS WHICH ARE ALREADY PUSHED TO PROVIDE THEIR VARIOUS SERVICES AND ACTIVITIES IN THEIR LIMITED BUDGETS.

WE HEREBY REQUEST THAT THE STATE TAXATION COMMITTEE RECOMMEND THAT YOUTH SPORTS AND RECREATIONAL ACTIVITIES BE DEEMED TO FALL WITHIN THE DEFINITION OF THOSE ACTIVITIES THAT ARE EXEMPT FROM SALES TAX ON REGISTRATION FEES.



KANSAS BABE RUTH LEAGUES

Bambino (6-12) ★ 13-15 Year Olds ★ 16-18 Year Olds

GARY KUNTZ
State Commissioner

Mr. Chairman and committee members I would like to thank you for allowing me a couple of minutes to visit with you.

My name is Gary Kuntz. I live in Ottawa and I am State Commissioner for Kansas Babe Ruth Baseball Leagues. Babe Ruth Baseball is for you people age 18 and under.

In Kansas we have about 60 leagues, nearly 600 teams which means nearly 9000 players.

We have leagues which involve several teams from one town. Examples might include a league in Pittsburg, a league in Wellington, a league in Newton, a league in Olathe, and many other such leagues.

Then we have leagues which involve a single team from each of several smaller towns. An example would be Southwest Babe Ruth League which includes teams from Lakin, Sublette, Ulysses and Satanta.

I would guess that maybe half of our leagues are organized through their recreation commission, so my understanding is that they are presently excluded from paying sales taxes on participation fees.

Leaving the law as it is presently (and going back three years) would probably bankrupt many of the Babe Ruth Leagues

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in Kansas and leave 3,000 to 5,000 Babe Ruth baseball players with no Summer baseball program.

Multiply this number of young people many times because of other Summer baseball programs as well as softball programs and all the other sports and we have a serious problem.

Hundreds and probably thousands of adults like myself around the state volunteer time, effort, and energy to allow young people an opportunity to learn the many values gained from sports participation.

Several bills are presently before the legislature regarding "young people and crime". I ENJOY WATCHING YOUNG PEOPLE STEAL.(AS LONG AS WHAT THEY ARE STEALING IS SECOND BASE OR THIRD BASE). In order to do that, we need your help in keeping them on the baseball diamond.

As State Commissioner for Babe Ruth Baseball and for all youth sports in the State of Kansas I urge you to pass HB 2802.

Thank you listening to my concerns and for considering my requests for many youth participants around the state.

DEAR SENATORS AND REPRESENTATIVES:

THE PURPOSE OF MY VISIT TODAY IS TO EXPRESS MY UTTER DISMAY AT OUR STATE'S INSATIABLE DESIRE TO TAX EVERYTHING.

NON-PROFIT YOUTH SPORTS ORGANIZATIONS HARDLY SEEMS THE PLACE TO SQUEEZE A NICKEL.

AS THE PRESIDENT OF THE SHAWNEE SOCCER CLUB OUR ORGANIZATION HAS APPROXIMATELY 2000 PLAYERS. THE THOUGHT OF PAYING BACK TAXES, FINES AND PENALTIES WOULD COMPLETELY RUIN OUR ORGANIZATION. PLEASE UNDERSTAND NOBODY PROFITS HERE EXCEPT THE CHILDREN. LIKE MOST VOLUNTEER, NON-PROFIT ORGANIZATION WE ARE ALWAYS STRAPPED FOR MAN POWER AND WE ALREADY FEEL PHYSICALLY TAXED. TO PAY BACK TAXES THAT WOULD DRAIN OUR FUNDS COULD VERY WELL BE "THE STRAW THAT BRAKES THE CAMELS BACK." THEN I ASK, "WHERE WOULD 2000 CHILDREN PLAY SOCCER?" I DON'T THINK THE CITY OR COUNTY IS IN ANY POSITION TO PROVIDE THE SAME LOW COST PROGRAMS FOR CHILDREN AS WE DO.

IN SUMMATION, UNLESS THE STATE IS WILLING TO PROVIDE LOW COST SPORT ACTIVITIES FOR KANSAS CHILDREN LETS LEAVE WELL ENOUGH ALONE.

THANK YOU FOR YOUR TIME.
TOM HAYES

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Sunflower Soccer Association

PO Box 5882 Topeka, Kansas 66605
630 Southwest Kansas Avenue
913-233-9700

Officers

Mike Boyer, President
Steve Kastner, Vice-President
Jack Eldridge, Treasurer
Leslie Prentice, Secretary

Trustees

Walt Darling
Ivan Barnett
Larry Hendricks
Richard Schurle
Nancy Hutzell
Bill Schone
Ron Balsters
Jim Langford

Members of the House Taxation Committee, I thank you for the opportunity to speak to you today in support of HB 2802.

I represent Sunflower Soccer Association, Inc. of Topeka. Our organization has over 2,400 youths aged 18 years of age or younger and 150 persons over the age of 18. We are an approved 501(c)(3) charitable organization and provide primarily youth soccer activities.

I would like to make several points today that our organization feels are very important.

1. Our organization is an off-shoot of a soccer program started by the City of Topeka for the benefit of its citizens. If the program had remained with the City, it would currently be tax exempt;
2. The City of Topeka allowed our parent volunteers to take over the program to reduce the city recreation overhead and to allow Sunflower to provide opportunities for the children that the city would have difficulty providing;
3. The estimated cost of complying with the interpretation of the Department of Revenue would be approximately \$18,000 each year. This cost would be passed on to our 2,550 participants at an additional cost of \$7.06 each;
4. Our organization has a use-based fee structure and receives no financing from any taxing authority (thus, only soccer players pay the cost of the program);
5. Our program is in competition with city sponsored programs in basketball and softball which cost less but are subsidized by general tax resources;

6. Our organization has paid sales tax on concessions and merchandise sales in the past. However, these services have been shifted to outside contractors to shift to them the paperwork, tax and money-handling problems; and
7. The additional cost of taxation on participation fees to our organization equates to the salary for a full time staff member, a luxury we have never been able to afford.

As I mentioned, our organization includes approximately 150 persons over the age of 18. As I read the bill, inclusion of activities for these persons would prohibit our organization from qualifying for the exemption. Rather than eliminating services for these persons, I would like to recommend that the bill be amended by deleting the word "exclusively" in line 33 and inserting in lieu thereof the word "primarily."

I make this recommendation because access to soccer programs for persons over the age of 18 is not available from another source in this area. It is our hope that the city will take over the program for these older persons at some point in time, but currently, it only exists through us. From our point of view, we have a lot invested in these older persons. Since they were very young, we have provided them coaching, team activities, encouragement and rewards. Now that our former youth players are adults, it is consistent with our principles to provide a continuing service for them. While this group will never replace our emphasis on youth, to eliminate services for them without another outlet available would be unfortunate.

In order for our organization to maintain its current competitive ability in the community, in order to avoid expanding the level of fund-raising to pay the state, in order to allow more low-income persons to participate, we ask that you pass HB 2802 favorably. I thank you for your time and will respond to any questions.

STATE OF KANSAS



Alisa M. Dotson, Director
Robert B. Docking State Office Building
915 S.W. Harrison St.
Topeka, Kansas 66625-0001

(913) 296-3044
FAX (913) 296-7928

Contact Number (913) 296-5476

Department of Revenue
Division of Taxation

NOTICE #91-5

TO: League and Tournament Organizers (softball, baseball, soccer, etc.)
FROM: Kansas Department of Revenue
SUBJECT: Application of Retailers' Sales Tax to fees charged for participation in sports, games and other recreational activities.

K.S.A. 79-3603(m) levies a tax "upon the gross receipts received from fees and charges by public and private clubs, drinking establishments, organizations and businesses for participation in sports, games and other recreational activities."

Thus, fees charged for participation in a sport, game or recreational activity, such as league fees or tournament fees, would be subject to the Kansas retailers' sales tax. An organization which charges a fee for participation in one or more of these activities would be required to collect and remit the Kansas retailers' sales tax and any applicable local sales tax. These fees would be subject to the tax whether collected from each individual or on a team basis.

K.S.A. 79-3603(e) levies a tax "upon the gross receipts from the sale of admissions to any place providing amusement, entertainment or recreation services...but shall not be levied and collected upon the gross receipts received from fees and charges by political subdivisions of the state of Kansas for participation in sports, games and other recreational activities..."

Therefore, fees charged for admission to sports, games or recreational activities (gate receipts) would be subject to the retailers' sales tax.

Additional examples of transactions conducted by a league, association or tournament organizer, which would be subject to the retailers' sales tax include, but are not limited to, the sale of food, soft drinks, candy, t-shirts, hats, balls, etc. The organizing group would also be required to collect and remit the retailers' sales tax on fund raising activities, such as the door-to-door sales of candy or similar items.

As stated in K.S.A. 79-3603(e) the charges made by political subdivisions of the state of Kansas for participation in sports, games and other recreational activities would not be subject to the retailers' sales tax (Examples would include such activities as softball, baseball, volleyball, soccer, admissions to swimming pools, green fees, etc.). However, the political subdivision of the state of Kansas would be required to collect and remit the retailers' sales tax on the sales of tangible personal property, such as food, beverages, t-shirts, hats, balls, etc. and on the charges for admission to such sports, games and other recreational activities.

Dated: July, 1991

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BOARD OF DIRECTORS

Johnson County Girls' Athletic Association
P.O. Box 3275 (913) 268-4092 Shawnee, Kansas 66203
A Non-Profit Organization

February 10, 1994

TO: Chairman Roe and Members of the
House Taxes Committee

REF: Sales Tax Exemption - Private
Non-Profit Organizations

The Johnson County Girls' Athletic Association was founded in 1955, incorporated in 1957 and granted a tax-exempt, non-profit organization by the federal government. Since that time we have grown into one of the largest all youth girls organizations in the nation. Our programs are enjoyed by approximately 3,000 girls in our summer softball program, and another 1,500 girls in our basketball program. Our complex in Shawnee encompasses 26 acres with eight lighted softball fields, with parking, concession stand and restrooms. Also we are the home of the five Shawnee Mission High School softball programs, we provide the fields for their league games, regional and state championships, thus saving the expense of a separate tax supported facility, we do this at a very nominal cost.

We were the first non-profit organization subjected to a state audit four years ago, we, like some others were not aware of the sales tax obligation on player fees, sponsor fees, admission fees, and fund raising proceeds. With the exception of the fund raising, the other fees went directly to overhead. Expansions, equipment, and improvements came from fund raising projects. Needless to say, the back taxes were a very heavy burden, and it did curtail our plans for expansion, equipment purchase, and improvements, this happening while we were experiencing, and still are, a 10-15% growth each year.

The parents and sponsors are already contributing, not only money but time as well, to these programs, while some city and county programs are exempt, yet are unable to offer organized programs for the youth.

We also feel that we are saving the communities, the state and also the tax payers a substantial amount of tax dollars by offering these services. After all, these services, facilities and man power are already in place.

We strongly endorse legislation to exempt, player fees, sponsor fees, and fund raising proceeds.

On behalf of thousands of youths, parents and sponsors we thank you for your time and consideration of this issue.

Sincerely,

Jack Spahr, President
Board of Directors

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Schools for Quality Education

Bluemont Hall Manhattan, KS 66506 (913) 532-5886

February 10, 1994

TO: HOUSE COMMITTEE ON TAXATION

SUBJECT: HB 2802--NEW SALES TAX EXEMPTION ON ENTRY
FEES FOR YOUTH SPORTS ACTIVITIES

FROM: SCHOOLS FOR QUALITY EDUCATION

Mr. Chairman and Members of the Committee:

I am Jacque Oakes representing Schools For Quality Education, an organization of 102 small school districts.

We are submitting written testimony in favor of HB 2802 which would eliminate school districts from the collection of sales tax at the districts athletic and other recreational activities.

This bill would save a great amount of paperwork and headache time for the staff of our school districts.

We would appreciate your positive consideration of
HB 2802. Thank you for your time and attention.

"Rural is Quality"

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MEMBERSHIP ROSTER*



NORTHWEST REGION

103 Bird City
212 Northern Valley
241 Sharon Springs
242 Weskan
274 Oakley
275 Triplains-Winona
280 West Graham-Morland
291 Grinnell
292 Grainfield
293 Quinter
294 Oberlin
295 Prairie Heights
301 Utica
302 Smoky Hill-Ransom
304 Bazine
316 Golden Plains
318 Atwood
468 Healy

SOUTHWEST REGION

209 Moscow
210 Hugoton
214 Ulysses
215 Lakin
217 Rolla
218 Elkhart
219 Minneola
220 Ashland
225 Fowler
228 Hanston
363 Holcomb
374 Sublette
452 Stanton
459 Bucklin
476 Copeland
477 Ingalls
494 Syracuse

NORTH CENTRAL REGION

104 White Rock-Esbon
239 Minneapolis
269 Palco
270 Plainville
271 Stockton
273 Beloit
278 Mankato
307 Ell-Saline
324 Eastern Heights
326 Logan
334 Southern Cloud
395 LaCrosse
399 Paradise-Natoma
403 Otis-Bison
432 Victoria

SOUTH CENTRAL REGION

254 Barber County
255 Kiowa
300 Comanche County
311 Pretty Prairie
327 Ellsworth
332 Cunningham
354 Claflin
355 Ellinwood
358 Oxford
359 Argonia
376 Sterling
411 Goessel
424 Mullinville
438 Skyline
474 Haviland
496 Pawnee Heights
509 South Haven
511 Attica

NORTHEAST REGION

221 North Central-Haddam
222 Washington
223 Barnes
321 Kaw Valley
329 Mill Creek Valley-Alma
378 Riley County
380 Vermillion
384 Blue Valley
498 Valley Heights
430 South Brown County

SOUTHEAST REGION

244 Burlington
245 LeRoy-Gridley
247 Cherokee
252 Southern Lyon County
256 Marmaton Valley
258 Humboldt
286 Chautauqua Co.-Sedan
287 West Franklin
365 Garnett
366 Yates Center
387 Altoona-Midway
390 Hamilton
396 Douglass
397 Centre
398 Peabody-Burns
404 Riverton
408 Marion
462 Burden
463 Udall
471 Dexter
479 Crest-Kincaid
492 Flinthills

*Current as of January 18, 1994

For more information contact:
Schools for Quality Education Inc.
124 Bluemont Hall
Kansas State University
Manhattan, KS 66506
(913)532-5886.

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