

MINUTES OF THE HOUSE TAXATION COMMITTEE.

The meeting was called to order by Chairperson John Edmonds at 9:00 a.m. on February 5, 2003 in Room 519-S of the Capitol.

All members were present except: Representative Ruby Gilbert

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Gordon Self, Office of the Revisor
Carol Doel, Committee Secretary

Conferees appearing before the committee:
Representative Becky Hutchins
Representative Rick Rehorn
Representative Judy Morrison
Gary Robbins, Kansas Optometric Association
Bob Williams, Kansas Pharmacists Association
Jane Rhys, Kansas Council on Developmental Disabilities
Jennifer Schwartz, Assistive Technology for Kansans
Debra Harmon Zehr, RN MA, Kansas Association of Homes and Sciences
Josie Torrez, Kansas Association of Centers for Independent Living
David Johnson, Association for Community Mental Health Centers
Rebecca Rosenthal, Kansas Commission for Deaf & Heard of Hearing
Kathy Lobb, Self Advocate Coalition of Kansas
Shannon Jones, SILCK - Big Tent Coalition

Others attending: See attached sheet

Chairman Edmonds asked if anyone wished to address the committee with a bill introduction. Representative Hutchins asked for a bill adding .4% retail sales tax for Jackson County for the purpose of financing economic development and infrastructure projects.

With Chairman Edmonds hearing no objection, the bill will be considered for introduction.

Representative Rehorn also requested the introduction of a bill relating to classification of cities for purposes of levying sales and excise taxes.

Representative Judy Morrison addressed the committee for the purpose of introduction of a bill providing a sales tax exemption for an organization called Dreams Work, which is a daycare center for children with multiple disabilities.

With no objections, Chairman Edmonds accepted the bill for introduction.

Chairman Edmonds requested that Chris Courtwright of the Legislative Research Department give an overview of **HB 2076**. Mr. Courtwright reported that the bill would remove the current exemption for prescription drugs, also the exemption for Insulin, exemption for prosthetic devices and orthopedic appliances, certain nursing home services, and sales of medical supplies and equipment purchased directly by a nonprofit skilled nursing homes, or nonprofit intermediate nursing care home, as well as all sales of tangible personal property or services, including the renting and leasing of tangible personal property purchased directly on behalf of a community based mental retardation facility or mental health center. In addition, it would remove the exemption from tangible personal property and services purchased by a primary care clinic or health center the primary purpose of which is to provide services to medically underserved.

Mr. Courtwright also provided the committee with the fiscal note on **HB 2076**.

CONTINUATION SHEET

MINUTES OF THE HOUSE TAXATION COMMITTEE at 9:00 a.m. on February 5, 2003 in Room 519-S of the Capitol.

Shannon Jones, executive director of Statewide Independent Living Council of Kansas (SILCK) as well as representing the Kansas Big Tent Coalition, addressed the committee as an opponent of **HB 2076**. It is their feeling that this bill directly targets Kansas citizens most in need such as seniors, disabled and the working poor. ([Attachment 1](#))

Next to be recognized as an opponent of **HB 2076**, was Gary Robbins, Executive Director of the Kansas Optometric Association. His testimony was directed at the effect on some of the most vulnerable citizens such as elderly Kansans living on fixed incomes and the disabled. ([Attachment 2](#))

Testimony was presented by Bob Williams, Executive Director of the Kansas Pharmacists Association (KPHA). It is their belief that removing the tax exemption from **HB 2076** for prescription drugs, insulin and medical devices will only make a bad situation worse. ([Attachment 3](#))

The Kansas Council on Developmental Disabilities was represented by Jane Rhys, Executive Director. It was their feeling that the removal of the tax exemption would impose additional hardships on those who have already been impacted by budget cuts. ([Attachment 4](#))

Jennifer Schwartz, with KACIL (Kansas Association of Centers for Independent Living) addressed the committee as an opponent of **HB 2076**. KACIL is an organization which assists individuals with devices such as manual and power wheelchairs as well as walkers, hearing aids, etcetera. They feel that the removal of the tax exemption would directly affect the services they would be able to provide. ([Attachment 5](#))

Testimony opposing **HB 2076** was delivered by Debra Zehr, Vice-President of KAHSA (Kansas Association of Homes and Services for the Aging). Their opposition was directed towards the adverse effect on medical supplies and equipment directly purchased by not-for-profit nursing homes. ([Attachment 6](#))

Another representative of KACIL (Kansas Association of Centers for Independent Living), Josie Torrez, came before the committee in opposition of **HB 2076** with the feeling that this bill would tax the most vulnerable of the population first. ([Attachment 7](#))

David Johnson CEO of Bert Nash Community Mental Health Center appeared before the committee in the role of Public Policy Committee Chair for the Association of Community Mental Health Centers of Kansas, Inc. Their opposition to **HB 2076** faced the issue that their organization, CMHC, has already sustained budget cuts and the elimination of the sales tax deduction would cause further reduction in services to needy individuals. ([Attachment 8](#))

Next to provide testimony in opposition to **HB 2076** was Rebecca Rosenthal, Executive Director of the Kansas Commission for the Deaf and Hard of Hearing. Ms. Rosenthal's testimony stated that this bill would have a direct impact on the disabled. ([Attachment 9](#))

Kathy Lobb, Legislative Liaison testified in opposition to **HB 2076** on behalf of the Self-Advocate Coalition of Kansas. Her testimony was also concerned with the recent budget cuts and then the elimination of the tax exemptions which would prove very challenging for people with developmental disabilities to meet their monthly expenses. ([Attachment 10](#))

Shannon Graham, mother of a severely disabled child, gave testimony to the committee also in opposition to **HB 2076**. Mrs. Graham stated that her daughter used a number of assistive devices in her daily living routine and with the cut in the Medicaid budget and the possible addition of sales tax she would have significant additional monthly out-of-pocket expenses which would certainly impact their budget. ([Attachment 11](#))

Chairman Edmonds asked if anyone else wished to address **HB 2076**. With no other persons wishing to address the committee and no further business before the committee the meeting was adjourned at 10:40.

GUEST LIST

DATE Feb. 5, 2003

NAME	REPRESENTING
SHELBY SIMON	SDU Corp
Josie Torrey	KACIL
Ron Applehoff	WaterOne
Jessy Ann	Am Inst of Architects
Ernie Kelly	AARP
Ernie Fogge	AARP
Kerrie Bacon	KCDC
LINDA LUBENSKY	KS Home Care
Chip Wheeler	KAOM
Natalie Budget	Via Christi
DRZM	KANSAS
Denny WJ	ILC-NEK
Jennifer Schwartz	ATK
CARRY R BAER	LICK
Shannon Graham	Self / Parent
Carli Paulson	Self
John Fisk	Bain
Jan Rhy	KCDD
Michelle Peterson	KGC
Steve Johnson	Kansas Gas Service
Tom Brand	
Andy Shaw	Kearney & Associates Inc

**Testimony to
House Taxation Committee
Representative John Edmonds, Chair
In opposition of HB 2076**

February 5, 2003

Mr. Chairman and members of the committee, thank you for this opportunity to testify before you today. My name is Shannon Jones and I am here today wearing multiple hats. First, I am the executive director of the Statewide Independent Living Council of Kansas (SILCK). The SILCK as mandated by the federal Rehabilitation Act as amended in 1998 is a governor appointed, consumer controlled Council comprised of statewide and cross disability representation. The SILCK actively engages in activities that assist in providing Kansans with disabilities a greater voice in obtaining essential services that are consumer controlled and cost effective. And the other hat I wear today is representing the Kansas Big Tent Coalition. As spokesperson for the Big Tent Coalition, I represent 56 organizations with close to 600,000 members who share a common goal of generating sufficient revenue to protect and preserve essential services to vulnerable populations. Attached to my testimony you will find a listing of Big Tent members.

Both the SILCK and Big Tent members are opposed to HB 2076. This bill directly targets Kansas' citizens most in need. Seniors, the disabled and the working poor have already taken their share of the budget cuts, not to mention the already enormous out of pocket expenses this population spends on drugs and medical supplies. As of this week, all Medicaid beneficiaries of community-based services will have their protected income reduced from \$716 per month to \$645 per month. That is an additional \$512 per year that will have to be paid by the poorest of the poor. These are Kansas citizens that will have to choose between purchasing food or their medicines and medical supplies. In addition, increased co-pays for prescription drugs were passed onto this same vulnerable population last year.

If not here, then where?

The SILCK and Big Tent Coalition will support just about any other revenue generating measure. I understand there was a list of all tax-exempt items distributed yesterday. We would be happy to study that list and make recommendations.

Thank you for your attention to this important matter.

House Taxation
Attachment 1
Date 2-5-03

THE KANSAS BIG TENT COALITION

BE IT RESOLVED that the undersigned groups and individuals announce the creation of a new coalition to be named the KANSAS BIG TENT COALITION and;

BE IT FURTHER RESOLVED that the Kansas Big Tent Coalition members come together as a unified voice for the purposes of supporting the following initiatives:

- To raise sufficient revenue for the purpose of decreasing the impact of budget cuts and ensure access to the state's human services to allow choice, dignity and self determination for those Kansans most in need;
- To restore and protect essential services for Kansas' most vulnerable citizens; and
- To ensure continued participation by service providers in fiscal years 2003 and 2004; and
- To further use this revenue to secure independent living for all Kansas citizens.

MEMBERS SIGNED ON:

Representing 56 organizations and a total of 571,622 members/customers

Statewide Independent Living Council of KS
Kansas Advocates for Better Care (2,000)
Coalition for Independence (5,000)
Prairie Independent Living Resource Center (800)
ILC of NE Kansas (521)
CIL of Southwest Kansas (600)
Kansas AFL-CIO (100,000)
Kansas Home Care Association (125)
Kansas Assistive Technology Cooperative
KS Association of Centers for Independent Living (14)
Three Rivers, Inc. (1,300)
Resource Center for Independent Living (1,860)
Kansas Council on Developmental Disabilities (10,000)
Prevention & Recovery Services (10,000)
Independent Living Resource Center (1,300)
The United Methodist Church-KS Area (166,000)
Nat'l Multiple Sclerosis Society-Mid America (20,000)
KS Association for the Blind & Visually Impaired (256)
Cerebral Palsy Research Foundation of KS, Inc (1,400)
United Cerebral Palsy of KS, Inc (500)
Kansas Area Agencies on Aging Association (45,000)
LINK, Inc. (972)
The Whole Person, Inc (1,000)
Kansas Association of the Deaf, Inc (2,000)
Butler Co. Dept of Aging (16,000)
Southeast KS Independent Living (2,196)

The Dream Works (100)
Assistive Technology for Kansans (18,423)
Self-Advocate Coalition of KS (6,540)
First Class Transportation (500)
Midwest Bioethics Center (20,000)
Independence Inc (1,200)
Kansas for Addiction Prevention (7,000)
Brain Injury Association (597)
The ARC of Douglas Co. (500)
Kansas Action Network (20)
Harper Hospital Home Health (62)
Jason Gallagher
Craig Home Care (200)
The Paratransit Council, Inc (3,000)
Community Memorial Healthcare (280)
Via-Christi Riverside Home Care (120)
Topeka Center for Peace & Justice (666)
Western KS Assoc. on Concerns of the Disabled (4,000)
SEK-CAP, Inc (1,000)
Community Works, Inc (140)
Association of CMHCs of Kansas (85,000)
InterHab (10,000)
Keys for Networking (10,000)
Independent Connection (1,200)
Reno County Youth Services (650)
KS Chapter, Nat'l Association of Social Workers (1700)

Breakthrough House Inc (700)
Full Citizenship, Inc (50)
Kansas Public Health Association, Inc (500)
Developmental Services of Northwest KS (500)

KANSAS OPTOMETRIC ASSOCIATION

1266 SW Topeka Blvd. • Topeka, KS 66612

(785) 232-0225 • (785) 232-6151 (FAX)

koa@cjnetworks.com

HOUSE COMMITTEE ON TAXATION TESTIMONY FEBRUARY 5, 2003

Thank you, Mr. Chairman for the opportunity to discuss the concerns of our members and the patients they serve in this state regarding House Bill 2076. I am Gary Robbins, Executive Director of the Kansas Optometric Association. I will be directing my remarks toward page 5 starting on line 40 and subsection (r) in House Bill 2076. This is the sales tax exemption for a wide range of medical devices.

(r) all sales of prosthetic and orthopedic appliances prescribed in writing by a person licensed to practice the healing arts, dentistry or optometry. For the purposes of this subsection, the term prosthetic and orthopedic appliances means any apparatus, instrument, device, or equipment used to replace or substitute for any missing part of the body, used to alleviate the malfunction of any part of the body, or used to assist any disabled person in leading a normal life by facilitating such person's mobility, such term shall include accessories attached or to be attached to motor vehicles, but such term shall not include motor vehicles or personal property which when installed becomes a fixture to real property;

Subsection (r) addresses a number of medical, prosthetic and orthopedic devices. This includes prescription eyewear. For the last 10 years, Kansas optometrists have provided free eye exams to any three-year-old child in the state. The objectives to this program are to identify children with vision problems that require early intervention before the children start school and to alert parents about the warning signs of vision problems in children of any age. The data from this program shows that 14% of three years olds already have a vision problem. National statistics show that this number rises steadily to nearly 40% by high school graduation. In many instances, prescription eyewear is essential to obtain a driver's license, function well in the work place and enjoy numerous leisure activities.

By age 65, more than 70% of the population will experience some form of a vision problem when you add the complications associated with diabetes and glaucoma. This number continues to increase with age. A significant number of these patients need corrective eyewear and those experiencing severe vision loss will need low vision devices

Repealing this sales tax exemption would penalize some of our most vulnerable citizens-elderly Kansans living on fixed incomes and the disabled. In addition, it would have the impact of increasing medical care costs for the insured and the uninsured. Obviously, it would have the potential to increase health insurance costs.

I respectfully ask the House Committee on Taxation to not repeal the sales tax exemption in 79-36-06-subsection (r). We believe that strong medical evidence shows it is reasonable public policy for the continuation of the sales tax exemption for these devices. Thank you for your consideration of our request and allowing us to appear this morning.



Kansas Pharmacists Association
Kansas Society of Health-System Pharmacists
Kansas Employee Pharmacists Council
1020 SW Fairlawn Rd.
Topeka KS 66604
Phone 785-228-2327 ♦ Fax 785-228-9147 ♦ www.kansaspharmacy.org
Robert (Bob) R. Williams, MS, CAE, Executive Director

TESTIMONY

**House Taxation Committee
February 5, 2003**

HB 2076

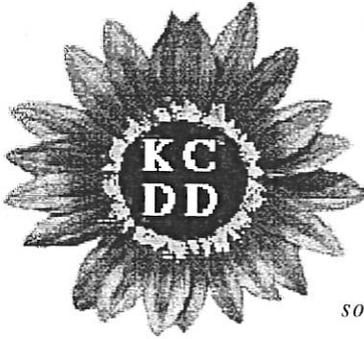
My name is Bob Williams, Executive Director of the Kansas Pharmacists Association. Thank you for this opportunity to address the committee regarding House Bill 2076.

Over the past several years, the cost of prescription medication has increased at an alarming rate. According to the National Institute for Health Care Management, prescription medication increased by 18.8% for the year 2000. The average prescription cost in the United States is approximately \$45.79. Additionally, more and more diseases are being treated with prescription medication.

Given the above and the difficulty many individuals have paying for their prescription medication, KPhA believes removing the tax exemption for prescription drugs, insulin and medical devices will only make a bad situation worse. KPhA therefore encourages the Committee to not support HB 2076.

Thank you.

House Taxation
Attachment 3
Date 2-5-03



Kansas Council on Developmental Disabilities

KATHLEEN SEBELIUS, Governor
DAVE HEDERSTEDT, Chairperson
JANE RHYS, Ph. D., Executive Director

Docking State Off. Bldg., Room 141, 915 Harrison
Topeka, KS 66612-1570
Phone (785) 296-2608, FAX (785) 296-2861

"To ensure the opportunity to make choices regarding participation in society and quality of life for individuals with developmental disabilities"

HOUSE TAXATION COMMITTEE

February 5, 2003

Testimony in Regard to H. B. 2076

AN ACT RELATING TO eliminating sales tax exemptions for medical supplies and services and medicine.

Mr. Chairman, Members of the Committee, I am appearing today on behalf of the Kansas Council on Developmental Disabilities in opposition of H.B. 3076 relating to the elimination of sales tax from medical supplies and services and medicine.

The Kansas Council is federally mandated and federally funded under the Developmental Disabilities Assistance and Bill of Rights Act of 2000, we receive no state funds. It is composed of 19 individuals who are appointed by the Governor and includes representatives of the major agencies who provide services for individuals with developmental disabilities. At least 60 percent of the membership is composed of individuals with developmental disabilities or their immediate relatives. Our mission is to advocate for individuals with developmental disabilities to receive adequate supports to make choices about where they live, work, and learn.

A developmental disability typically involves severe mental and/or physical disabilities. Many of those we serve have chronic conditions that require on-going medications and frequent treatment from a licensed medical practioner (examples are occupational therapists, physical therapist, speech therapists, and doctors and nurses). The great majority of the individuals we represent, 8,547, are adults with developmental disabilities or families who have children with developmental disabilities. Many of these individuals, all of whom live in a community setting, have already faced cuts in services and supplies. As of January, the Governor partially restored allotment reductions. However, these restorations do not take effect until July 1, 2003. This leaves many individuals and families with reductions in services. Examples include the following:

House Taxation
Attachment 4
Date 2-5-03

Reduction in Family Support for DD Waiver:

- 2,200 families receive fewer services

Reduction in DD grants and rate cuts

- Services in some areas have resulted in cuts in services to consumers, reduces funding for Families Together reducing technical support and education for families

Reduce Protected Income Level from \$716 to \$645 per month

- 1,205 persons on the DD waiver affected

Eliminate incontinence supplies

- 513 persons will not have diapers purchased through Medicaid

Eliminate Medicaid coverage for vision and hearing (to persons on all waivers)

- 10,500 persons will not receive eye examinations or glasses
- 4,500 persons will not receive hearing tests or hearing aids

The people for whom we advocate are more than willing to pay their fair share. This regressive tax affects the person who is middle class or above much less than it affects those with low incomes. It imposes additional hardships on those who have already been impacted by budget cuts. We would respectfully ask that you tax items that are not necessary for everyday existence or raise taxes in a proportionate manner.

We appreciate the opportunity to speak to you and would be happy to answer any questions.

Jane Rhys, Executive Director
Kansas Council on Developmental Disabilities
Docking State Office Building, Room 141
915 SW Harrison
Topeka, KS 66612-1570
913 296-2608
<http://nekesc.org/kcdd>



TESTIMONY PROVIDED TO THE HOUSE TAXATION COMMITTEE
REGARDING HOUSE BILL 2076
Provided by Jennifer Schwartz
Assistive Technology for Kansans
February 5, 2003

Good morning. My name is Jennifer Schwartz and I work for the Kansas Association of Centers for Independent Living (KACIL) on behalf of the Assistive Technology for Kansans Project (ATK). This project is funded through a federal grant awarded to the Kansas University Center on Developmental Disabilities. The project collaborates with many agencies across the state to create a statewide network of assistive technology services and supports.

Briefly, assistive technology includes traditional devices such as manual and power wheelchairs, walkers and hearing aids, but also encompasses equipment such as electronic communication devices, ergonomic keyboards, visual aids, wheelchair lifts, etc.

Assistive Technology for Kansans is a member of the Big Tent Coalition.

I am here today in opposition of HB 2076. This legislation repeals the sales tax exemption on medical supplies (assistive technology), services, and medicine. If enacted, HB 2076 will affect Kansans who already experience significant out of pocket expenses for health related supplies and equipment due to their disability or chronic health condition. The Center on Disease Control reports that nearly half (48 percent) of all people who use durable medical equipment paid for it with little or no assistance from third parties. One-third of the durable medical equipment purchased by senior citizens is out of their own pocket. These items are essential for individuals with chronic health conditions, disabilities or the elderly to remain the most independent lifestyle they choose. These are necessary items, not luxuries.

A study conducted by the US Department of Health and Human Services states: Nationally, 13.1 million people (5.3% of the population) used assistive technology devices. The most common devices needed were mobility aids, hearing systems and communication devices. These devices help people maintain their independence, live safely, learn, be employed, and stay involved in their community.

The Kansans that have benefited from this sales tax exemption are all around us. They are our mothers, fathers, aunts, uncles, brothers, sisters, and even at times our children.

Let me provide you with a couple of examples from across our state:

A seventy-year-old woman from Wichita recently had a hip replacement. She was required to obtain a walker, raised toilet seat, bathroom grab bars, hand-held shower and a bath bench before she could be discharged from the hospital. When she got home, she found that she needed to purchase additional devices so she could dress without help. She needed to purchase a second walker as her health improved and pay for fifteen hours of homemaker home health support. Her insurance covered 80% of the home health support and one of the walkers. The cost of the other devices totaled \$395.00 and was paid out of her pocket. The \$28.00 of sales tax would have been an additional burden for her. Despite the fact she has a pension and Medicare, she is considering working part-time so she has an additional nest egg to address unexpected medical needs in the future "as she ages".

A middle school student in Parsons required a power wheelchair with specialized seating due to her disability of osteogenesis imperfecta (brittle bones). Her mother's insurance company covered \$2,000 toward the purchase of the \$12,000 wheelchair and seating system. The remaining \$10,000 was generated by community fundraisers over an eight month period. Taxing the chair would have required the community to raise an additional \$850.00. That's a lot of 50 cent candy bar sales for middle school students!

We recognize that our State needs to generate revenue, but we do not support taxing devices that enable people to cross the street, speak to a loved one, or listen to a political discussion.

Thank you for your time and consideration, I would be happy to stand for any questions you may have.

TESTIMONY OPPOSING HOUSE BILL 2076

To: Representative John Edmonds, Chair, and Members,
House Taxation Committee
From: Debra Zehr, Vice President
Date: February 5, 2003

Thank you, Mr. Chairman and Members of the Committee. The Kansas Association of Homes and Services for the Aging (KAHSA) represents 160 not-for-profit long-term care provider organizations around the state, most of which provide nursing home care. Our members are owned and operated by religious organizations, local units of government, and community or fraternal groups. They serve over 15,000 seniors throughout Kansas.

We oppose House Bill 2076, which would repeal the sales tax exemption for medical supplies and equipment directly purchased by not-for-profit nursing homes.

It is the sole mission of not-for-profit nursing homes to care for the elderly, and their work is heavily supported by charitable contributions. The 1987 Kansas Legislature acknowledged the important role not-for-profit nursing homes play in society as partners with the State and its communities to fulfill the service needs of our frailest elders.

Following are points to consider when reviewing this exemption:

1. K.S.A. 79-3606(hh) is very narrowly interpreted. For instance, blood pressure cuffs are exempt from sales tax, but wander alarm systems are not. (See the bottom of the attached form for additional information about what is and is not exempt under this statute.)
2. The care of more than 45% of not-for-profit nursing home residents is paid for by Medicaid. If a sales tax were to be applied to medical supplies and equipment directly purchased by not-for-profit nursing homes, this cost would be passed on to the state Medicaid program. This would be at cross purposes not only to the original legislative intent, but also to the well-being of residents and the fiscal health of the state.

We believe that current law is good public policy, and respectfully ask that you oppose repeal of K.S.A. 79-3606(hh) as contained in House Bill 2076

Thank you. I would be happy to stand for questions

KANSAS DEPARTMENT OF REVENUE

NONPROFIT NURSING HOME EXEMPTION CERTIFICATE

The undersigned nonprofit nursing home certifies that the medical supplies and equipment purchased from:

Seller: _____ Business Name

Address: _____ Street, RR, or P. O. Box City State Zip + 4

are exempt from Kansas sales and compensating use tax for the following reason:

K.S.A. 79-3606(hh) exempts all sales of medical supplies and equipment purchased directly by a nonprofit skilled nursing home or nonprofit intermediate nursing care home, as defined by K.S.A. 39-923 and amendments thereto, for the purpose of providing medical services to their residents. EXCEPTION: This exemption does not apply to tangible personal property customarily used for human habitation purposes.

Description of medical supplies and equipment purchased:

The undersigned understands and agrees that if the medical supplies and equipment are used other than as stated above or for any other purpose that is not exempt from sales or compensating tax, the undersigned purchaser becomes liable for the tax.

Purchaser: _____ Name of Nonprofit Nursing Home or Nonprofit Intermediate Nursing Care Home

Address: _____ Street, RR or P. O. Box City State Zip + 4

Signature: _____ DL#: _____ Date: _____ Officer, Office Manager, or Nursing Home Administrator Driver's License Number

THIS CERTIFICATE MUST BE COMPLETED IN ITS ENTIRETY.

WHO MAY USE THIS EXEMPTION? Only nonprofit skilled nursing homes and nonprofit intermediate nursing care homes are eligible to use this certificate. The purchase must also be a direct purchase as outlined on page 4 of this booklet. For-profit nursing homes and nursing care homes are NOT eligible for this exemption.

WHAT MEDICAL SUPPLIES AND EQUIPMENT ARE EXEMPT? Medical supplies and equipment are items specifically designed for and used exclusively in the diagnosis, treatment, or cure of an injury, illness, or other malady of the human body. Supplies must be consumed in a single usage. Items used for human habitation purposes or as a means for generally maintaining a quality of life not directly related to the cure, treatment, or diagnosis of a human malady are TAXABLE.

Below are examples of items that, when purchased by a nonprofit skilled nursing home or nonprofit intermediate nursing care home, are exempt from sales tax. Also given are examples of supplies and equipment that are TAXABLE. These lists are not complete or exclusive, and are only representative examples of exempt and taxable items.

MEDICAL SUPPLIES: EXEMPT: medical dressing supplies, prescription and non-prescription drugs, disposable chucks, incontinent briefs, syringes, catheters, bandages, sticks, tongue depressors, and repair parts for medical equipment. TAXABLE: restraints, medical linens (other than disposable chucks), bed and bath linens, lab coats or smocks, articles of clothing (including hospital gowns, robes and slippers), cups and glasses, pitchers, bathroom and facial tissue, food, food preparation supplies, cleaning and sterilization supplies, medical forms and charts, office supplies, and recreational supplies.

MEDICAL EQUIPMENT: EXEMPT: walkers, wheelchairs, canes, physical therapy equipment, whirlpools, commode chairs and pails, bed pans, stethoscopes, blood pressure cuffs, thermometers, ultrasound machines, oxygen equipment, percussors, IPPB machines, Nebulizers - Pulmo-Aid machines, and TENS (nerve stimulators). TAXABLE: furniture and appliances, hospital and conventional beds, geriatric chairs, seat lift chairs, medication and utility carts, room humidifiers and dehumidifiers, telephones and telephone equipment, bathing equipment, nurse call cords, wander alarm systems, cubicle curtains, scales, transfer belts, home glucose monitoring sets, food preparation equipment, cleaning and sterilization equipment, office equipment, recreational equipment, and motor vehicles and trailers.



Gina McDonald
President/CEO

February 5, 2003

House Taxation Committee

Member Agencies:

Center for Independent Living for Southwest Kansas
Garden City, KS
316/276-1900 Voice

Coalition for Independence
Kansas City, KS
913/287-0999 Voice/TT

ILC of Northeast Kansas
Atchison, KS
913/367-1830 Voice

ILC of Southcentral Kansas
Wichita, KS
316/942-6300 Voice/TT

Independence, Inc.
Lawrence, KS
785/841-0333 Voice
785/841-1046 TT

Independent Connection
Salina, KS
785/827-9383 Voice/TT

LINK, Inc.
Hays, KS
785/625-6942 Voice/TT

Prairie Independent Living Resource Center
Hutchinson, KS
316/663-3989 Voice

Resource Center for Independent Living, Inc.
Osage City, KS
785/528-3105 Voice

Southeast Kansas Independent Living, Inc.
Parsons, KS
316/421-5502 Voice
316/421-6551 TT

The Whole Person, Inc.
Kansas City, MO
816/561-0304 Voice
816/531-7749 TT

Three Rivers ILC
Wamego, KS
785/456-9915 Voice

Topeka Independent Living Resource Center
Topeka, KS
785/233-4572 Voice/TT

Thank you for the opportunity to present testimony today on HB 2076.

I am Josie Torrez and represent the Kansas Association of Centers for Independent Living (KACIL). KACIL represents the 13 Centers for Independent Living (CIL's) across the State. We advocate for the civil rights of Kansans with disabilities, regardless of age. KACIL also supports the Big Tent Coalition.

We realize due to the current state of the budget situation, that taxes may need to be raised during this session. We feel it is unnecessary to tax people who already have a heavy duty, out of pocket expense for equipment due to disability. If exemptions must be removed, we believe the State must first look at imposing sales tax for haircuts, video rentals, golf courses, carpet cleaning, etc. We ask you not to start taxing the most vulnerable of the population first.

KACIL is available to assist in anyway we can to offer incentives and support to assist people with disabilities of all ages to achieve the same American dream that we all have.

I would be happy to stand for any questions.

House Taxation
Attachment 7
Date 2-5-03



Association of Community Mental Health Centers of Kansas, Inc
720 SW Jackson, Suite 203, Topeka, Kansas 66603
Telephone: 785-234-4773 / Fax: 785-234-3189
Web Site: www.acmhck.org

Randy Class, President
Michael J. Hammond, Interim Executive Director

Testimony to the House Committee on Taxation

February 5, 2003

Mr. Chairman and members of the Committee, thank you for this opportunity to appear before you to testify in opposition to House Bill 2076. My name is David Johnson and I am the CEO of Bert Nash Community Mental Health Center in Lawrence. I appear before you today in my role as Public Policy Committee Chair for the Association of Community Mental Health Centers of Kansas, Inc.

The Association of Community Mental Health Centers of Kansas, Inc., represents the 29 licensed Community Mental Health Centers (CMHCs) in Kansas who provide mental health services in every county in over 100 locations. Each CMHC has a defined and discrete geographical service area. With a collective staff of over 4,000 professionals, the CMHCs provide services to Kansans of all ages with a diverse range of presenting problems.

As part of state licensing regulations, CMHCs are required to provide services to all Kansans needing it, regardless of their ability to pay. This often makes us the "safety net" for Kansans with mental health needs – target and non-target populations. The target population consists of adults who have a severe and persistent mental illness (SPMI) and children/adolescents who have a serious emotional disturbance (SED). The non-target population is basically everyone else who walks through the door of a CMHC.

The CMHCs are the public mental health system in Kansas. We are county entities, quasi-governmental entities and 501c3 organizations. Through our partnership with the State of Kansas, we provide services to the most vulnerable populations. Since we must rely on public funds to meet our state mandates, the loss of funds due to the removal of the sales tax exemption would have to be restored from tax collections. The net result is not new revenue. Therefore, the

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only logical reason to take this action would be if the Tax Committee felt that the SRS budget cuts did not go deep enough. While we believe the current cuts go too deep, we would at least hope that any cuts are implemented in a coordinated fashion, with a firm understanding of the impact on the system.

The CMHCs certainly appreciate the financial situation the State of Kansas is currently facing. Ours is a system of shared governance where county governments and state government partner to meet the mental health needs of the citizens of Kansas. Our funding sources include local, state and federal governments. As a result of the state's current financial crisis, the Kansas Department of Social and Rehabilitation Services (SRS) has reduced the State Aid payments to CMHCs by 25 percent – a reduction of \$2.5 million, in the current fiscal year. State Aid is what allows the CMHCs to provide services to individuals regardless of their ability to pay. This is for the average person who is in need of mental health services but is not a part of the target population. In addition, in the next 1 ½ years, SRS has reduced MediKan rates to CMHCs by almost \$2 million and, next January 1, we will lose payment for those who have been on MediKan for 2 years. MediKan is a program for individuals who are severely disabled and are awaiting determination of federal disability. MediKan provides more limited medical coverage than Medicaid, and is paid with all SGF.

In addition to the cuts outlined above, CMHCs will be impacted by the loss of aid to local units of government provided by the State of Kansas. The CMHCs receive \$20 million from counties to help fund services for those who do not have the ability to pay. The loss of aid to county governments will be shifted in part to the CMHCs by a reduction in our funding from them. In this case, we are getting cut twice – once by state government and once by county government.

Obviously, as partners of the State of Kansas who provide services on behalf of the state, we believe we have taken more than our fair share of the budget cuts to help address the state's financial crisis. The restoration of \$1 million in the Governor's Budget Recommendations for FY04 would be more than offset by the loss of our sales tax exemption. While we understand the need to re-examine the purpose and benefit of such exemptions, we also urge you to not repeal this particular provision that applies to CMHCs as we are essentially performing the work of government entities.

Thank you for the opportunity to appear before you. I would be happy to stand for questions.

**Testimony Provided to the House Taxation Committee
Regarding House Bill # 2076
Provided by Rebecca J. Rosenthal, Kansas Commission for the Deaf &
Hard of Hearing
February 5, 2003**

Thank you for this opportunity to present my opinion on House Bill 2076 today. My name is Rebecca J. Rosenthal, Executive Director of the Kansas Commission for the Deaf and Hard of Hearing (KCDHH). This agency is housed within the KRS a division of the SRS. Per K.S.A. 75-5391, KCDHH was established within the Kansas Department of Social Rehabilitation Services of Kansas. This agency is authorized to develop and implement a program of information and referral; advocacy; public education; and direct services. Based in Topeka, KCDHH works with other organizations throughout Kansas to assure coordination and availability of services for people who are deaf and hard of hearing.

Today, I am here in opposition of HB 2076. This legislation repeals the sales tax exemption on medical supplies, services, and medicine. If this Bill is enacted, it will have an impact on the disabled especially those who experience significant out of pocket expenses. 2) Not only does this impacts the disabled but as this population gets older. Based on the Dept. Of Aging projections, by the year 2007 the number of baby boomers aged 60 and over will be approximately 503,985. Additionally, as of today 8.5% of the baby boomers live in poverty. Imagine what those numbers will be like by the year 2007! Lastly, the items purchased by these individuals are necessities, not luxuries. Because of these necessary supplies or medical services, these individuals will not be able to lead independent and productive lives. Instead they will need other supplemental assistance which is being affected by the current economic situation.

There are two sides to this issue. One is the need to generate revenues while the other side is how this Bill will adversely affect the disabled. Please consider this carefully before you vote in favor of HB 2076.

Thank you for your time and consideration.

Rebecca J. Rosenthal
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Self-Advocate
Coalition of Kansas

DATE: February 5, 2003

TO: House Committee on Taxation

FROM: Kathy Lobb, Legislative Liaison
Self-Advocate Coalition of Kansas

RE: HB 2076

I am writing on behalf of the Self-Advocate Coalition of Kansas, the statewide advocacy group for adults with developmental disabilities, which has membership of twenty local advocacy groups across the state. I am opposed to HB 2076 which would remove prescription drugs, insulin, and prosthetic and orthopedic appliances, along with many other medical supplies, from tax exemption.

As you all know, services for people with developmental disabilities in the state of Kansas have been hit hard with the budget cuts. It is challenging for people with disabilities just to pay their rent, utilities, food and transportation because of the cuts. This added expense would make it even more challenging.

As a consumer in the developmental disability service system who accesses prescription drugs, eye glasses, and hearing aids, I can tell you first hand that I and many people I know cannot afford to keep taking on extra expenses at a time when our protected income level has been lowered. The cuts that are in place lower the amount of money that consumers can keep from \$716 to \$645 per month. Can you imagine trying to live on such a small amount? These cuts, which are in place until July 1, 2003, are causing many consumers and families to make difficult choices about whether to pay rent and food expenses or to meet visual and audiology needs and/or pay for incontinence supplies. This combination of hardships is already too much. Please do not create further financial burdens for these consumers and families.

I appreciate you taking the time to hear my concerns.



Kathy Lobb, Legislative Liaison



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House Taxation Committee
Testimony regarding House Bill 2076
Shannon Graham, Parent
February 5, 2003

Thank you, Representative Edmonds and committee members for the opportunity to appear before you today in opposition of HB 2097. I am Shannon Graham and this is my daughter Carli, we live in Lawrence.

We appreciate this opportunity to 'put a face' on the effects this legislation could have on Carli and I, other people with disabilities and their families. We are gravely concerned about HB 2076 which repeals the sales tax exemption on medical supplies, services and medicine.

Having a child with a disability is often a unique experience. Carli is a 14 year old child with a zest for life. She enjoys a variety of activities such as horseback riding and swimming. Carli is diagnosed with Wolf-Hirschhorn Syndrome. This is a very rare syndrome that affects her mobility, communication, vision, hearing, etc. She is considered legally deaf and blind. Due to Carli's disability she uses a range of different equipment and devices. On a typical day she uses a wheelchair for long distance mobility and a reverse walker for short trips. She also recently began wearing hearing aids. Someday she may also begin to use a communication device.

We have private insurance and Medicaid coverage for some of the equipment, such as her wheelchair and walker. But, there is not always a third party source to pay for all of the equipment she uses.

Medicaid's recent decision to deny coverage of incontinence supplies for children is detrimental to our family and its monthly budget. We are now going to be paying approximately \$150.00 per month for these supplies. If sales tax is going to be added on this price it would be an additional cost of \$11.00. This may not seem to be a significant amount for one month, but this is a recurring monthly expense for us.

This would be in addition to other out of pocket expenses we incur, such as; specialized remote controls and switches so Carli can control her environment, the amount we have to spend on a specialized diet, our added expense for driving a vehicle that can transport a wheelchair, etc.

In conclusion, we hope this information will prove helpful for you as you consider HB 2097 and the adverse affect it could have on people with disabilities and there families. We know that our state needs to find ways to generate revenue, but balancing this on the backs of people with disabilities does not seem like the answer.

Thank you for your time and careful consideration

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