

## MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Jay Emler at 10:30 a.m. on March 15, 2010, in Room 548-S of the Capitol.

All members were present except:

Senator Dwayne Umbarger - excused

Committee staff present:

J. G. Scott, Kansas Legislative Research Department  
 Michael Steiner, Kansas Legislative Research Department  
 Dylan Dear, Kansas Legislative Research Department  
 Chris Courtright, Kansas Legislative Research Department  
 Jill Wolters, Office of the Revisor of Statutes  
 Daniel Yoza, Office of the Revisor of Statutes  
 Scott Wells, Office of the Revisor of Statutes  
 Melinda Gaul, Chief of Staff  
 Shirley Jepson, Committee Assistant  
 James Fisher, Intern

Conferees appearing before the Committee:

Joan Wagon, Chairperson, Kansas Advisory Council on Intergovernmental Relations (KACIR)  
 Richard Cram, Department of Revenue  
 Mark Tallman, Kansas Association of School Boards (KASB)  
 Mark Desetti, Kansas National Educational Association (KNEA)  
 George McCray, Kansas Health & Fitness Association  
 Shannon Jones, Statewide Independent Living Council of Kansas (SILCK)  
 Dennis Wilson, Kansas Churches for Fair Taxation  
 Shawn Moten, representing non-profit organizations involved with bingo  
 Jim Hattan, Chairman, Greater Wichita YMCA  
 Leonard Dale, Co-Chairman of Arab Temple Bingo  
 Dr. Carol Hansen, CEO, Girl Scouts of NE Kansas & NW Missouri  
 Bob Meuschke, President, Mo-Kan Laundry Association

Others attending:

See attached list.

**Hearing on SB 476 - Imposition of sales tax on certain goods and services, elimination of certain sales tax exemptions and fund-raising sales.**

Scott Wells, Assistant Revisor, provided an explanation of **SB 476** (Attachment 1).

Chris Courtright, Legislative Research Department, provided an explanation of the fiscal note on **SB 476** (Attachment 2). Mr. Courtright noted that **HB 2549** is the companion bill being worked by the House.

**Proponents:**

Joan Wagon, Chairperson, Kansas Advisory Council on Intergovernmental Relations (KACIR), presented testimony in support of **SB 476** (Attachment 3). Ms. Wagon explained that **SB 476** would provide the following:

- Repeal all exemptions granted "by name" to a specific organization.
- Tax all admissions to recreation activities or events, whether operated by a non-profit organization, city, county or private organization.
- Reestablish the policy that was set by the Hodge Commission that all non-profit and religious organizations pay sales tax on their purchases.
- Repeal miscellaneous consumer exemptions, such as lottery tickets, bingo, and coin-operated laundries.
- Clarify the original construction labor "exemption" statute to remove "repair" and tax separately certain listed "repairs" to personal property in residences.

## CONTINUATION SHEET

Minutes of the Senate Ways and Means Committee at 10:30 a.m. on March 15, 2010, in Room 548-S of the Capitol.

- Revise current statute so that taxable “maintenance” services include janitorial cleaning services for commercial property.
- Repeal the state tax exemption on residential utilities and the local exemption on water for residential use.
- The bill exempts certain fund-raising events of non-profit organization and require all existing exemptions to come into compliance with this policy by 2012.

Ms. Wagnon stated that **SB 476** would bring fairness and equality to the taxing base.

Responding to a question from the Committee regarding tax on the Capitol renovation project, Richard Cram, Department of Revenue, stated that there are a limited number of state agencies who get project exemption certificates on construction projects and the Capitol renovation project is not one of those.

Mark Tallman, Assistant Executive Director/Advocacy Kansas Association of School Boards (KASB), presented in support of **SB 476** (Attachment 4). Mr. Tallman noted that KASB supports the legislation as a way to raise additional revenue to avoid or minimize further damaging cuts to vital public services, particularly elementary and secondary education.

Mark Desetti, Kansas National Education Association (KNEA), presented testimony in support of **SB 476** (Attachment 5). Mr. Desetti stated that KNEA supports the concept of bringing tax exemptions under control, setting guidelines for tax exemptions and then adhering to the guidelines. Mr. Desetti noted that this legislation is an effort to broaden the taxing base and move in the right direction.

George McCray, President, Kansas Health and Fitness Association, presented testimony in support of **SB 476** (Attachment 6). Mr. McCray stated that **SB 476** provides for tax fairness between health and fitness associations.

Shannon Jones, Statewide Independent Living Council of Kansas (SILCK), presented testimony in support of **SB 476** (Attachment 7). Ms. Jones stated that it is important to provide state funding for programs for the disabled and disadvantaged.

### Neutral:

Written testimony, in a neutral position, was received from Mark Schreiber, Director, Government Affairs, Westar Energy (Attachment 8).

### Opponents:

Dennis Wilson, representing Kansas Churches for Fair Taxation, presented testimony in opposition to **SB 476** (Attachment 9). Mr. Wilson stated that religious organizations have the benefit of no taxation from the federal government to the state level and is a time-tested advantage because of the sacred work that the churches do to the most needy of our society.

- ◆ The Committee requested a list of members of the Kansas Churches for Fair Taxation and information on how the church schools handle tuition paid to those schools.
- ◆ The Committee asked if members of the organization could be polled to determine if they support retaining tax exemptions for churches and placing additional tax burden on low-income residential facilities, such as nursing homes.

Jim Hattan, on behalf of the YMCA's of Kansas, presented testimony in opposition to **SB 476** (Attachment 10). Mr. Hattan stated that the repeal of sales tax exemptions on YMCA's and other non-profit organizations in Kansas, would negatively impact Kansas YMCA's and the communities they serve.

Additional testimony in opposition to **SB 476** was received from:

- Shawn Moten, representing non-profit organizations involved with bingo, such as American Legions,

## CONTINUATION SHEET

Minutes of the Senate Ways and Means Committee at 10:30 a.m. on March 15, 2010, in Room 548-S of the Capitol.

VFW Posts and Lodges ([Attachment 11](#)).

- Leonard Dale, Co-Chairman of Arab Temple Bingo ([Attachment 12](#)).
- Dr. Carol Hansen, CEO, Girl Scouts of NE Kansas & NW Missouri ([Attachment 13](#)).
- Bob Meuschke, President, Mo-Kan Laundry Association ([Attachment 14](#)).

Written testimony in opposition to **SB 476** was received from the following:

- Linda DeCoursey, Advocacy Director, American Heart Assoc. ([Attachment 15](#)).
- Kansas Grain and Feed Association and Kansas Agribusiness Retailers Association ([Attachment 16](#)).
- Ron Hein, National Kidney Foundation of Ks & Western MO ([Attachment 17](#)).
- Ernest Kutzley, AARP ([Attachment 18](#)).
- Leslie Kaufman, Kansas Cooperative Council ([Attachment 19](#)).
- Scott Jones, Kansas City Power & Light ([Attachment 20](#)).
- Dave Holthaus, Kansas Electric Cooperative ([Attachment 21](#)).
- Martha Smith, Kansas Manufacturers Housing ([Attachment 22](#)).
- Bob Drummond, TLC for Children & Families ([Attachment 23](#)).
- Wes Ashton, Black Hills Energy ([Attachment 24](#)).
- Joe Dick, KC Board of Public Utilities ([Attachment 25](#)).
- Katherine Stockbauer, Coinmach Corporation ([Attachment 26](#)).
- Travis Maurath, Rental Management Solutions ([Attachment 27](#)).
- Tom Cooney, Highland Residential Management ([Attachment 28](#)).
- Wilbert Born, Tidy Laundry ([Attachment 29](#)).
- Richard Martin, Mrs. Kleen's Inc., Ottawa ([Attachment 30](#)).
- Vern Hull, Holiday Laundry, Winfield ([Attachment 31](#)).
- Alvin Babock, Laundry Land, Junction City ([Attachment 32](#)).
- Danny Lee, Tomahawk Laundromat, Shawnee ([Attachment 33](#)).
- David Becker, Laundry, Olathe ([Attachment 34](#)).
- John Donley, Assistant Counsel, Kansas Livestock Association ([Attachment 35](#)).
- Allyn O. Lockner, Kansas Advisory Council ([Attachment 36](#)).
- Colin Hansen, Exec. Director, Kansas Municipal Utilities ([Attachment 37](#)).
- Darci Meese, Johnson County Water District No. 1 ([Attachment 38](#)).
- Members of the Kansas Churches for Fair Taxation ([Attachment 39](#)).

The hearing on **SB 476** will be continued on March 16, 2010.

### Adjournment

The next meeting is scheduled for March 16, 2010.

The meeting was adjourned at 12:30 p.m.

SENATE WAYS AND MEANS COMMITTEE

GUEST LIST

DATE: March 15, 2010

NAME	REPRESENTING
Jane Metzger	Meals on Wheels (KCNS)
Darci Meese	Wetzel Inc
MARK DESETTI	KNET
Margorie Werly	EGU
Garrett Decker	MIDLAND (KRE CONNECTION)
Sarah Fizzell	Girl Scouts/YMCA
Gary Caher	Milestone Management Ks. Apt. Assoc.
Ron Summers	JETS SERVICE CO INC
Robert Meuschke	MO-KAN Self Service Laundry Assn.
Rachel Whitten	Kansas Reporter
Leigh Keck	Heinlaw firm
Mitty Casey	GSA
Rob MEALY	KEMNEY & ASSOC
STEVE KEARNEY	" "
Larry R Baze	LKW
Linda DeBorja	American Heart Assn
Junie Rose	KCSL
Brad Hoff	Legislative Post Audit
JOHN C. BOTTENBERG	BOTTENBERG & ASSO C
Whitney Damon	YMCA's of KS / Girl Scouts
Jim HATTAN	YMCA Kc
Sara Haworth	Intern - Sen. Vicki Schmidt
Ron Seiber	KARA/KGFA

SENATE WAYS AND MEANS COMMITTEE

GUEST LIST

DATE: March 15, 2010

NAME	REPRESENTING
David R. Berlin	KDOR
Jean Wagner	KDOR
Jack Grossman	Topeka 912 Project
David Spring	CURB
Chris Masoner	American Cancer Society
Kimberly Sotky	KNLL
Don Hollman	K EC
Sean Miller	CAPITOL STRATEGIES
George McClary	KHFA
Castro	Girl Scouts of KS Habitat
Carol Hansen	Girl Scouts
Matt Hickam	KCP+L
Scott Jones	KCP C
Wes Ashton	Black Hills Energy
Larry Bell	MIDWEST ENERGY
Joe Duck	KCBPU
Mark Schreiber	Westar
Dennis Wilson	Churches
Tim Byrd	Churches
Llewellyn Crain	Kansas Arts Commission
Mark Tallman	KASB
Milee Carpenter	WIBA
Rosanne Siemens	Kansas Library Association
Nichelle Colombo	KS chamber

Office of Revisor of Statutes

300 S.W. 10th Avenue  
Suite 024-E, Statehouse  
Topeka, Kansas 66612-1592  
Telephone (785) 296-2321 FAX (785) 296-6668

MEMORANDUM

To: Senate Committee on Ways and Means  
From: Scott Wells, Assistant Revisor  
Date: March 15, 2010  
Subject: SB 476

---

Senate bill 476 repeals a number of sales tax exemptions, as recommended by the Kansas Advisory Council on Intergovernmental Relations in their 2009 Annual Report. The sales tax exemptions to be repealed include:

- Exemptions granted "by name" to specific charitable organizations.
- Admissions to recreation activities or events.
- Exemptions granted to non-profit charitable, benevolent and religious organizations whose purpose is generally described.
- Miscellaneous consumer exemptions such as lottery tickets, bingo and coin-operated laundries.
- Exemption for residential utilities.

Senate bill 476 clarifies the original construction labor exemption by removing "repair" and taxing separately specifically listed repairs to personal property in residences. The bill also makes clear that janitorial cleaning services for commercial property are taxable maintenance services.

Finally, the bill exempts sales from certain fund-raising events by non-profit organizations. To qualify for the exemption:

- The organization must not be in the business of retail sale.
- Sales must be conducted by members of the organization.
- Sales cannot occur at a retail place of business.
- Sales cannot be in direct competition with a for-profit business at the same event.
- All proceeds must be used by the organization to further its exempt purpose.
- The organization must maintain an accounting of all sales and provide that information to the department of revenue upon request.
- Tangible personal property purchased for the fund-raising event is subject to tax when purchased.

A non-profit organization can have no more than 3 fund-raising events in a 12-month period. Fund-raising events must be limited to 1 day.

Senate Ways & Means Cmte

Date 3-15-2010

Attachment 1

**Exemptions eliminated for all statutory named non-profits and charitable orgs:**

KSA 79-3606 (vv)	Property purchased by the following organizations who are organized under the federal income tax code as a 501 (c )(3): American Heart Association, Kansas Affiliate; Kansas Alliance for the Menally Ill, Inc.; Kansas Mental Illness Awareness Council; American Diabetes Association Kansas Affiliate, Inc.; Amercian Lung Association of Kansas, Inc.; Kansas chapters of the Alzheimer's Disease and Related Disorders Association, Inc.; Kansas chapters of the Parkinson's disease association; National Kidney Foundation of Kansas and Western Missouri; Heartstrings Community Foundation; Cystic Fibroses Foundation; Spina bifida Association of Kansas; CWHC, Inc.; Cross-lines cooperative council; Dream Works, Inc.; KSDS Inc.; Lyme Association of Greater Kansas City, Inc.; Dream Factory, Inc.; Ottawa Suzuki Strings, Inc.; Internation Association of Lions Clubs; Johnson county young matrons; American Cancer Society, Inc.; Community services of shawnee, Inc.; Angel babies association; Kansas fairgrounds association.
KSA 79-3606 (ww)	Property purchased by the Habitat for Humanity for use within a housing project.
KSA 79-3606 (ggg)	Property and services purchased by or on behalf of the Kansas Academy of Science.
KSA 79-3606 (lll)	Property and services purchased by Special Olympics Kansas, Inc., and sales made by or on behalf of Special Olympics.
KSA 79-3606 (mmm)	Property and services purchased by Marillac Center, Inc. And sales by by or on behalf of the Marillac Center.
KSA 79-3606 (nnn)	Property and services purchasded by West Sedgwick County - Sunrise Rotary Club for constructing boundless playground.
KSA 79-3606 (qqq)	Property and services purchased by TLC for Children and Families, Inc. and sales made by or on behalf of TLC.
KSA 79-3606 (sss)	Property and services purchased by catholic charities or youthville and sales made by or on behalf of catholic charities or youthville.
KSA 79-3606 (uuu)	Property and services purchased by Kansas Children's Service League and sales made by or on behalf of the KCSL.
KSA 79-3606 (vvv)	Property and services purchased by Jazz in the Woods for the purpose of providing Jazz in the Woods and sales made by or on behalf of such organization for such purpose.
KSA 79-3606 (www)	Property purchased by or on behalf of Frontenac Education Foundation and sales made by or on behalf of such organization.
KSA 79-3606 (xxx)	Property and services purchased by the Booth Theatre Foundation, Inc.
KSA 79-3606 (yyy)	Property and services purchased by the TLC Charities Foundation, Inc. and slaes made by or on behalf of these organizations.

KSA 79-3606 (zzz)	Property purchased by Rotary Club of Shawnee Foundation.
KSA 79-3606 (aaaa)	Property and services purchased by or on behalf of Victory in the Valley and sales made by or on behalf of such organization.
KSA 79-3606 (bbbb)	Guadalupe Health Foundation, sales of entry or participation fees, charges or tickets for annual fundraising event
KSA 79-3606 (cccc)	Property and services purchased by or on behalf of Wayside Waifs for the purpose of providing such organization's annual fundraising event and sales made by or on behalf of such organization for such purpose.
KSA 79-3606 (dddd)	Property or services purchased by or on behalf of Goodwill Industries or Easter Seals of Kansas, Inc.
KSA 79-3606 (eeee)	Property or services purchased by or on behalf of the All-American Beef Battalion, Inc.
KSA 79-3606 (ffff)	Property and services purchase by Sheltered Living, Inc. and sales made by or on behalf of such organization.

**Exemptions eliminated for admissions to rec activities or events whether operated by nonprofit orgs, city, county or private orgs:**

KSA 79-3603 (m)	Fees and charges by any political subdivision, youth recreation organization, etc., exclusively providing services to persons 18 or younger organized as a 501 (c)(3) for sports, games and other recreational activities and entry fees and charges for participation.
KSA 79-3603 (n)	Dues charged by any organization pursuant to paragraphs 8 and 9 of 79-201 (veteran and humanitarian organizations) and sales of memberships to nonprofit zoos.

**Exemptions eliminated for religious orgs:**

KSA 79-3606 (aaa)	Property and services purchased by religious orgs and used exclusively for religious purposes.
-------------------	--

**Other benevolent orgs:**

KSA 79-3606 (v)	Sales of food products purchased by contractor for use in preparing meals for delivery to homebound elderly persons.
KSA 79-3606 (ii)	Property purchased by nonprofit organization for nonsectarian comprehensive multidiscipline youth development programs and activities and sales of property by or on behalf of such organizations.
KSA 79-3606 (oo)	Property purchased by a community action group or agency to repair or weatherize housing occupied by low income individuals.
KSA 79-3606 (qq)	Property and services purchased by a nonprofit museum or historical society which is organized for the purpose of stimulating public interest in space.

KSA 79-3606 (rr)	Property which will admit the purchaser thereof to an annual event sponsored by a nonprofit org organized under the federal income taxation code as a 501(c)(3).
KSA 79-3606 (tt)	Property and services purchased by a not-for-profit corporation for the sole purpose of constructing a Kansas Korean War Memorial and is organized under the federal income tax code as a 501(c)(3)
KSA 79-3606 (xx)	Property and services purchased by a nonprofit zoo or on behalf of a zoo by an entity that is a 501( c)(3).
KSA 79-3606 (yy)	Property and services purchased by a parent-teach association or organizations and all sales of tangible personal property on behalf of such organizations or associations.
KSA 79-3606 (bbb)	Sales of food for human consumption by organizations exempt by 501 ( c)(3) pursuant to food distribution programs which offer such food at a price below cost in exchange for the performance of community service by the purchaser.
KSA 79-3606 (hhh)	Property and services purchased by or on behalf of Domestic Violence Shelters as members of the Kansas coalition against Sexual and Domestic Violence.
KSA 79-3606 (iii)	Property and services purchased by organizations distributing food without charge to other nonprofit food distribution programs.
KSA 79-3606 (ppp)	Property and service purchased by non-profit Homeless Shelters, and sales made by or on behalf of those organizations.
KSA 79-3606 (ttt)	Property and services purchased by a contractor for the purpose of restoring, constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling a home or facility owned by a nonprofit museum which is located in a city designated as a qualified hometown under the provisions of KSA 75-5071 et seq.

**Miscellaneous Consumer Exemptions:**

KSA 79-3602 (ll)	Modified definition of "sales or selling price" to not include cash rebates granted by a manufacturer to a purchaser or lessee of a new motor vehicle if paid directly to the reailer as a result of the original sale. The exemption is granted from July 1, 2006 and ended June 30, 2009.
KSA 79-3603 (b)	Taxes telephone and telegraph services except certain interstate and international services and value-added nonvoice data services.
KSA 79-3603 (f)	Coin operated laundry services.
KSA 79-3603 (o)	Motor vehicles exchanged for corporate stock, corporate transfer to itself and immediate family member sales.
KSA 79-3603 (v)	Sales of bingo cards, bingo faces and instant bingo tickets.
KSA 79-3606 (x)	Sales of propane gas, LP-gas, coal, wood, and other fuel sources for the production of heat or lighting for noncommercial use in a residential premise.

KSA 79-3606 (ee)	Lottery tickets and shares made as part of a lottery operated by the state of Kansas.
KSA 79-3606 (ooo)	Sales made by or on behalf of a public library.
KSA 79-3606 (rrr)	Sales of tangible personal property and services purchased on behalf of a county law library.

**Clarification of original construction exemption to remove "repair" and tax separately specifically listed repairs to personal property in residences**

KSA 79-3603 (p)	Amend to remove the exemption on labor services for residential repair work.
KSA 79-3606 (q)	Amend to include labor services for repair of certain household appliances and other property in residences, as well as janitorial cleaning services for commercial property.

**Residential utilities and local city and county exemption on water for residential use:**

KSA 79-3603 (c)	Electricity, gas and heat utilities exemption for residential use. Exemption is limited to state sales tax only.
KSA 79-3606 (w)	Electricity, gas and heat utilities exemption for residential use. Exemption is limited to state sales tax only.
KSA 12-189a(a)	Local city and water exemption for residential use.

# KANSAS LEGISLATIVE RESEARCH DEPARTMENT

545N-Statehouse, 300 SW 10<sup>th</sup> Ave.  
Topeka, Kansas 66612-1504  
(785) 296-3181 □ FAX (785) 296-3824

kslegres@klrd.state.ks.us

http://www.kslegislature.org/klrd

March 8, 2010

**To:** Senator Jay Emler  
**From:** Chris W. Courtwright, Principal Economist  
**Re:** Fiscal Impact of SB 476

This memorandum provides the latest information available on the fiscal impact of SB 476. As you know, this bill was requested for introduction and supported by the Kansas Advisory Council on Intergovernmental Relations (KACIR) and would repeal a number of sales tax exemptions. SB 476 also is identical to the introduced version of HB 2549. During discussion of the latter bill in House Taxation Committee, Budget Division provided a good deal of information not available to the Department of Revenue at the time of the original fiscal note about the impact of removing the exemption on lottery sales. Also, the KACIR apparently neglected to factor in the traditional one-month lag in receipts for changes in sales tax law. In any case, there have been many communications back and forth between the Department of Revenue, Budget Division, and myself regarding the fiscal note. The following table takes those discussions into account and summarizes the fiscal note for the bill's various provisions:

(\$ in millions)

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>5-yr total</u>
pol subdiv admissions	\$0.445	\$0.502	\$0.520	\$0.538	\$0.557	\$2.560
religious purchases	\$17.041	\$19.241	\$19.914	\$20.611	\$21.332	\$98.139
other non-profits	\$2.182	\$2.463	\$2.550	\$2.639	\$2.731	\$12.564
residential utilities	\$134.008	\$151.307	\$156.602	\$162.083	\$167.756	\$771.756
repair, janitorial svcs	\$2.842	\$3.209	\$3.321	\$3.437	\$3.557	\$16.365
certain telecom	\$1.421	\$1.604	\$1.660	\$1.719	\$1.779	\$8.183
coin-op laundry	\$0.358	\$0.404	\$0.418	\$0.432	\$0.448	\$2.059
m vehicle transfers	\$0.202	\$0.228	\$0.236	\$0.244	\$0.252	\$1.161
bingo	\$2.686	\$3.033	\$3.139	\$3.249	\$3.362	\$15.468
public libraries	\$0.009	\$0.010	\$0.011	\$0.011	\$0.011	\$0.053
county law libraries	\$0.110	\$0.124	\$0.129	\$0.133	\$0.138	\$0.633
lottery tickets	\$6.930	\$7.825	\$8.098	\$8.382	\$8.675	\$39.910
Total Sales Tax	\$168.231	\$189.948	\$196.597	\$203.477	\$210.599	\$968.853
SHF Sales Tax	\$20.632	\$23.296	\$24.111	\$24.955	\$25.828	\$118.822
SGF Sales Tax	\$147.599	\$166.653	\$172.486	\$178.523	\$184.771	\$850.031
SGF Transfer from SGRF	-\$20.400	-\$20.400	-\$20.400	-\$20.400	-\$20.400	-\$102.000
SGF Net Impact	\$127.199	\$146.253	\$152.086	\$158.123	\$164.371	\$748.031
Additional SGRF Impact	-\$15.600	-\$15.600	-\$15.600	-\$15.600	-\$15.600	-\$78.000
All State Funds Net	\$132.231	\$153.948	\$160.597	\$167.477	\$174.599	\$788.853

Senate Ways & Means Cmte  
Date 3-15-2010  
Attachment 2



Kansas Advisory Council on Intergovernmental Relations

Joan Wagnon, Chairperson

Mark Parkinson, Governor

---

Senate Ways and Means Committee

March 15, 2010

Joan Wagnon

Testimony in Support of Senate Bill 476

Senator Emler, Chair, and Members of the Committee:

There has literally been an explosion of new sales tax exemptions in recent decades-- some of them very significant in size, such as the expansion of the manufacturing machinery & equipment exemption, the addition of exemptions for churches and a host of other non-profits, custom software, aircraft repair, to name a few. Between 1985 and 2009, the number of sales tax exemptions has more than tripled, growing from 30 to 96. Sales tax exemptions shrink the tax base. Since 2003, the estimated value of foregone sales and use tax revenue from exemptions has grown from \$3 billion to \$4.2 billion in 2009. This is more than double the consensus revenue estimate for FY 10 state sales and use tax receipts, \$1.88 billion.

At present, we are facing a revenue deficit of over \$400 million to fund the FY 2011 budget. Senate Bill 476 provides a strategy for reducing that deficit without raising any tax rates, and for partially restoring the sales tax base.

Senate Bill 476 provides for the elimination of certain sales tax exemptions and defines taxable "maintenance" services to include janitorial cleaning services for commercial property. The total fiscal note for FY2011 is \$194.5 million, including the consumer utility exemption. The Department of Revenue's fiscal note is attached. This list was compiled by using the following policy choices:

- Repeal all exemptions granted "by name" to a specific organization, listed below:

Senate Ways & Means Cmte  
Date 3-15-2010  
Attachment 3

	Public Policy: Exemptions to Charitable Organizations by Name	FY 2010 (\$ in millions)	FY 2011 (\$ in millions)
3606 (vv)	Property purchased by the following organizations who are organized under the federal income taxation code as a 501 (c)(3): American Heart Association, Kansas Affiliate; Kansas Alliance for the Mentally Ill, Inc.; Kansas Mental Illness Awareness Council; in 2004 added: Heartstrings Community Foundation, Cystic Fibrosis, Spina Bifida Assn, CHWC, Inc., Cross-lines Cooperative Council, Dreams Work, Inc., KSDS, Inc., Lyme Association of Grater Kansas City, Inc Dream Factory, Ottawa Suzuki Strings, International Assn of Lions Clubs, Johnson County young Matrons, American Cancer Society, Community Services of Shawnee, Angel Babies Assn, Kansas Fairground Foundation.	\$ 0.82	\$ 0.85
3606 (ww)	Property purchased by the Habitat for Humanity for use within a housing project	\$ 0.12	\$ 0.12
3606 (ggg)	Property and services purchased by or on behalf of the Kansas Academy of Science.	Minimal	Minimal
3606 (kkk)	Not Used	\$ -	\$ -
3606 (lll)	Property and services purchased by Special Olympics Kansas, Inc., and sales made by or on behalf of Special Olympics.	\$ 0.03	\$ 0.03
3606 (mmm)	Property and services purchased by Marillac Center, Inc. and sales made by or on behalf of the Marillac Center.	\$ 0.06	\$ 0.06
3606 (nnn)	Property and services purchased by West Sedgwick County - Sunrise Rotary Club for constructing boundless playground.	\$ 0.02	\$ 0.02
3606 (qqq)	Property and services purchased by TLC for Children and Families, Inc. and sales made by or on behalf of TLC	\$ 0.18	\$ 0.18
3606 (sss)	Property and services purchased by catholic charities or youthville and sales made by or on behalf of catholic charities or youthville	\$ 0.67	\$ 0.69
3606 (uuu)	Property and services purchased by Kansas Children's Service League and sales made by or on behalf of the KCSL	\$ 0.16	\$ 0.16
3606 (vvv)	Property and services purchased by Jazz in the Woods and sales made by or on behalf of such organization	\$ 0.01	\$ 0.01
3606 (www)	Property purchased by or behalf of Frontenac Education Foundation and sales made by or on behalf of such organization	Minimal	Minimal
3606 (xxx)	Property and services purchased by the Booth Theatre Foundation, Inc. Provides for refund of sales taxes paid from January to July '07.	\$ 0.03	\$ 0.03
3606 (yyy)	Property and services purchased by the TLC Charities Foundation, Inc. and sales made by or on behalf of these organizations.	Minimal	Minimal
3606 (zzz)	Property purchased by Rotary Club of Shawnee Foundation	Minimal	Minimal
3606 (aaaa)	Property and services purchased by or on behalf of Victory in the Valley and sales made by or on behalf of such organization	\$ 0.02	\$ 0.02
3606 (bbbb)	Guadalupe Health Foundation, sales of entry or participation fees, charges or tickets for annual fundraising event	\$ 0.11	\$ 0.12
3606 (ccce)	Property and services purchased by or on behalf of Wayside Waifs for the purpose of providing such organizations annual fundraising event and sales made by or on behalf of such organization	\$ 0.01	\$ 0.01
3606 (dddd)	Property or services purchased by or on behalf of Goodwill Industries or Easter Seals o Kansas, Inc for the purpose of providing education, training and employment opportunities for people with disabilities and other barriers to employment	\$ 0.04	\$ 0.04
3606 (eeee)	Property or services purchased by or on behalf of All Beef Battalion, Inc. for the purpose of educating, promoting and participating as a contract group through the beef cattle industry in order to carry out such projects that provide support and morale to members of the United States armed forces and military services.	\$ 0.00	\$ 0.00
3606 (ffff)	Property and services purchased by Sheltered Living, Inc for the purpose of providing residential and services for people with developmental disabilities or mental retardation, or both; and sales made on behalf of such organization	\$ 0.03	\$ 0.03
	<b>Subtotal</b>	<b>\$ 2.30</b>	<b>\$ 2.38</b>

- **Tax all admissions to recreation activities or events, whether operated by a non-profit organization, city, county or private organization:**

	Public Policy: Exemption of Services	FY 2010 (\$ in millions)	FY 2011 (\$ in millions)

3603 (m)	Fees and charges by any political subdivision, youth recreation organization exclusively providing services to persons 18 or younger organized as a 501(c)(3) for sports, games and other recreational activities and entry fees and charges for participation.	\$ 0.94	\$ 0.97
3603 (n)	Dues charged by any organization pursuant to paragraph 8 and 9 of 79-201 (veteran & humanitarian organizations) and sales of memberships to nonprofit zoos	\$ 0.34	\$ 0.36
	<b>Subtotal</b>	<b>\$ 1.28</b>	<b>\$ 1.33</b>

- **Reestablish the policy that was set by the Hodge Commission<sup>1</sup> that all non-profit and religious organizations pay sales tax on their purchases, so revoke the following exemptions:**

	Public Policy: Religious Exemption	FY 2010 (\$ in millions)	FY 2011 (\$ in millions)
3606 (aaa)	Property and services purchased by religious organizations and used exclusively for religious purposes	\$ 17.96	\$ 18.59
	<b>Public Policy: Charitable, Religious, Benevolent Exemptions</b>		
3603 (e)	Admission to any cultural and historical event which occurs triennially	Minimal	Minimal
3606 (v)	Sales of food products purchased by contractor for use in preparing meals for delivery to homebound elderly persons. In 2004, expanded exemption to all personal property purchased by contractor and sales of food products by or on behalf of contractor or organization	\$ 0.86	\$ 0.89
3606 (ii)	Property purchased by nonprofit organization for nonsectarian comprehensive multidiscipline youth development programs and activities and sales of property by or on behalf of such organization	\$ 2.72	\$ 2.81
3606 (oo)	Property purchased by a community action group or agency to repair or weatherize housing occupied by low income individuals.	Minimal	Minimal
3606 (qq)	Property and services purchased by a nonprofit museum or historical society which is organized under the federal income taxation code as a 501 (c)(3)	\$ 0.41	\$ 0.42
3606 (rr)	Property which will admit purchases to an annual event sponsored by a nonprofit organization organized under the federal income taxation code as a 501 (c)(3)	\$ 0.03	\$ 0.04
3606 (tt)	Property and services purchased by not-for-profit corporation for the sole purpose of constructing a Kansas Korean War memorial and is organized under the federal income taxation code as a 501 (c)(3)	\$ -	\$ -
3606 (xx)	Property and services purchases by nonprofit zoo or on behalf of a zoo by an entity that is a 501(c)(3)	\$ 0.62	\$ 0.65
3606 (yy)	Property and services purchased by a parent-teach association or organizations and all sales of tangible personal property by or on behalf of such association	\$ 0.59	\$ 0.61
3606 (bbb)	Sales of food for human consumption by organizations exempt by 501(c) (3) pursuant to food distribution programs which offer such food at a price below cost in exchange for the performance of community service by the purchaser.	Minimal	Minimal
3606 (hhh)	Property and services purchased by or on behalf of Domestic Violence Shelters as members of the Kansas coalition against Sexual and Domestic Violence	\$ 0.06	\$ 0.06
3606 (iii)	Property and services purchased by organizations distributing food without charge to other nonprofit food distribution programs. Includes taxes paid on and after July 1, 2005 and prior to July 1, 2006.	\$ 0.25	\$ 0.25
3606 (ppp)	Property and services purchased by non-profit Homeless Shelters, and sales made by or on behalf of these organizations.	\$ 0.11	\$ 0.11
3606 (ttt)	Property and services purchased a contractor for a purpose of restoring, constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling a home or facility owned by a nonprofit museum which is a qualified under the governor hometown heritage act (KSA 75-5071)	\$ 0.11	\$ 0.11
	<b>Subtotal</b>	<b>\$ 23.72</b>	<b>\$25.54</b>

- **Repeal miscellaneous consumer exemptions, such as lottery tickets, bingo, and coin-operated laundries:**

	Public Policy: Miscellaneous Exemptions	FY 2010 (\$ in millions)	FY 2011 (\$ in millions)
3602 (ii)	Modified definition of sales or selling price to not include cash rebates granted by a manufacturer to a purchaser or lessee of a new motor vehicle if paid directly to the retailer as a result of the original sale. The exemption is granted from July 1, 2006 and ending June 30, 2009.	\$ -	\$ -
3603 (b)	Taxes telephone and telegraph services except certain interstate and international services and value-added nonvoice data services	\$ 1.50	\$ 1.55
3606 (f)	Coin operated Laundry Services	\$ .38	\$ .39
3603 (o)	Motor vehicles exchanged for corporate stock, corporate transfer to itself and immediate family member sales.	\$ 0.22	\$ 0.22
3603 (v)	Sales of bingo cards, bingo faces and instant bingo tickets. Tax rate 2.5 on July 1, 2001 to June 30, 2002; exempt on July 1, 2002	\$ 2.83	\$ 2.93
3606 (x)	Sales of propane, gas, LP-gas, coal, wood, and other fuel sources for the production of heat or lighting for noncommercial use in a residential premise. Effective Jan 1 2006, exemption for residential and agricultural moved hereto 3603(c).	\$ -	\$ -
3606 (ee)	Lottery tickets and shares made as part of a lottery operated by the State of Kansas	\$ 14.61	\$ 15.12
3606 (ooo)	Sales made by or on behalf of a public library	\$ 0.01	\$ 0.01
3606 (rrr)	Sales made by or on behalf of a county law library	\$ .11	\$ .12
	Subtotal	\$19.66	\$20.34

- **Clarify the original construction labor “exemption” statute to remove “repair” and tax separately certain listed “repairs” to personal property in residences. (Currently these services are taxed if they include the alteration or repair of tangible personal property.) There are problems distinguishing taxable from non-taxable labor services in the repair area from original construction for residences. The bill revises 79-3603(o) to ensure that all the labor services for repair of certain household appliances and other property in residences are taxed, with or without the application of tangible personal property to real property.**

	Public Policy: Consumer Exemption	FY 2010 (\$ in millions)	FY 2011 (\$ in millions)
3603 (p)	Amend to remove the exemption on labor services for residential repair work.	\$ 3.0	\$ 3.1

- **Revise 79-3603(q) so that taxable “maintenance” services include janitorial cleaning services for commercial property. Under current law, washing a floor is not taxed, but waxing a floor (applying tangible personal property) is taxed. The proposal would make clear that washing a commercial property floor is also taxable.**
- **Repeal the state tax exemption on residential utilities and the local exemption on water for residential use (K.S.A. 12-189a(a)):**

	Public Policy: Consumer Exemption	FY 2010 (\$ in millions)	FY 2011 (\$ in millions)
3603 (c)	Electricity, gas and heat utilities exemption for residential use. Exemption is limited to state sales tax only.	\$ 128.28	\$ 137.77
3606 (w)	Water exemption for residential use.	\$12.0	\$12.42
	Subtotal	\$140.28	\$146.19

The bill exempts certain fund-raising events of non-profit organizations and require all existing exemptions to come into compliance with this policy by 2012. It is estimated a fund-raising exemption, limited to certain types of activities, would reduce state sales tax revenues by \$10 million in fiscal year 2012. To be exempt, the fund-raising sales must meet the following requirements:

- 1) the organization is not in the business of retail sales,
- 2) the sales must be conducted by members of the organization and not by a retailer, or other for-profit business,
- 3) the sales cannot occur at a retail place of business,
- 4) the sales must not be in direct competition with a for-profit business at the same event,
- 5) the organization shall be limited to not more than 3 fund-raising events of not more than a day's duration during any 12-month period, and including not more than 2 fund-raising events occurring over a period of time in which members of the organization take orders for items, except as noted below,
- 6) all proceeds derived from the sales are used by the organization to further its exempt purpose,
- 7) the organization shall maintain an accounting of all sales and provide that information upon request by the department of revenue,
- 8) tangible personal property, including meals, and services purchased for the fund-raising event shall be subject to sales tax when purchased.

The following would not be considered exempt as fund-raising sales:

1. sales resulting from agreements or contracts entered into with companies and organizations to participate in fund-raising campaigns for a percentage of the gross receipts where members of the organization act as agents or salesmen by selling or taking orders for the sale of tangible personal property;
2. admissions; or
3. concession sales.

<sup>1</sup>The Joint Committee on the State Tax Structure, otherwise known as the Hodge Commission, was created in 1968 "to make studies, and provide reports with recommendations thereon to the legislature, concerning the various taxes of the state and their relationship to each other and to the economy and public interest."

## MEMORANDUM

**To:** Mr. Duane Goossen, Director  
Division of Budget

**From:** Kansas Department of Revenue

**Date:** 02/25/2010

**Subject:** Senate Bill 476  
Introduced as a Senate Bill

### Brief of Bill

Senate Bill 476, As Introduced, concerns sales tax exemptions and taxation of certain services. The bill proposes the following changes to the sales tax statutes.

- amends K.S.A. 12-189 to remove the exemption for water from local sales tax
- amends K.S.A. 79-3602 (q) to remove the religious organization nonrecurring sale exception for isolated or occasional sale
- amends K.S.A. 79-3606 (c) to subject residential utilities to state sales tax; (f) removes the exemption for coin operated laundry services; (m) to removed the exemption for fee and charges for participation in sports, games and other recreational activities when charged by a political subdivison, organizations exempt from property taxation pursuant to paragraph *Ninth* of K.S.A. 79-201 or any youth recreation organization; (n) to remove the exemption for dues charged by organization exempt under to paragraph *Eighth and Ninth* of K.S.A. 79-201; (o) removed exemption from tax on the isolated or occasional sale of motor vehicles for corporation and between family members; (p) changes the original construction exemption by detailing the type of repair services that are exempt or taxable; and (v) removes the exemption for bingo.
- amends K.S.A. 79-3606 to delete the following exemptions: (v) meals for delivery to the elderly; (w) and (x) residential utilities; (cc) sales of lottery tickets; (ii) nonsectarian comprehensive multidiscipline youth development programs and activities; (ll) public health educational materials distributed at no charge, (oo) weatherizing low income housing; (qq) nonprofit museums and historical societies; (rr) admittance to annual event held by a nonprofit organization; (tt) Korean War memorial; (vv) specifically named nonprofit organizations; (ww) Habitat for Humanity; (xx) nonprofit zoos; (yy) parent teacher associations and organizations; (aaa) religious organizations; (bbb) nonprofit food distribution sells at reduced price (ggg) Kansas Academy of Science (hhh) nonprofit domestic violence shelters (iii) nonprofit food distribution warehouse; (lll) special Olympics Kansas; (mmm) Marillac Center, Inc; (nnn) West Sedgwick County Sunrise Rotary Club and Sunrise Charitable Fund, (ooo) sales by public libraries; (ppp) nonprofit homeless shelters; (qqq) TLC for Children and Families, Inc.; (rrr) sales by organizations if such sales would of

- been exempt if sold by a county law library; (sss) catholic charities or youthville; (ttt) governor's hometown heritage museum; (uuu) Kansas children's service league; (vvv) Jazz in the Wood, Inc; (www) Frontenac Education Foundation; (xxx) Booth Theatre Foundation, Inc.; (yyy) TLC Charities Foundation, Inc.; (zzz) Rotary Club of Shawnee Foundation; (aaaa) Victory in the Valley, Inc; (bbbb) sales of fees, charges or tickets by Guadalupe Health Foundation; (cccc) Wayside Waifs, Inc.; (dddd) Goodwill Industries or Easter Seals of Kansas, Inc; (eeee) All American Beef Battalion, Inc; and (ffff) Sheltered Living, Inc. .
- in new section 5 adds an exemption for nonprofit organizations for fund-raising sales. Fund-raising sales would be exempt if the following criteria is met:
    1. organization is not in the business of retail sales;
    2. sales are conducted by members of the organization and not by a retailer, or other for-profit business;
    3. sales do not occur at a retail place of business;
    4. sales are not in direct competition with a for-profit business at the same event;
    5. except as provided in subsection (b), the organization shall be limited to not more than three fund-raising events of not more than a day's duration during any 12-month period, and including not more than two fund-raising events occurring over a period of time in which members of the organization take orders for items;
    6. all proceeds derived from the sales are used by the organization to further its exempt purpose;
    7. the organization maintains an accounting of all sales and provide that information upon request by the department of revenue; and
    8. tangible personal property, including meals, and services purchased for the fund-raising event shall be subject to sales tax when purchased.

The criteria continues to state in subsection (b) that the following are not considered exempt as fund-raising sales:

1. Sales resulting from agreements or contracts entered into with companies and organizations to participate in fund-raising campaigns for a percentage of the gross receipts where members of the organization act as agents or salesmen by selling or taking orders for the sale of tangible personal property;
2. admissions; or
3. concession sales.

The Act would be effective July 1, 2010.

**Fiscal Impact**

The proposal would increase state revenues by \$194.46 million in fiscal year 2011 and \$200.55 million in fiscal year 2012. The impact on funds is listed below. Local sales tax is currently levied on residential utilities, except for water sales, therefore the increase in local sales tax revenue is not as significant.

	(\$'s in millions)			
	Total	SGF	Hwy	Local
FY 2011	\$194.46	\$170.54	\$23.92	\$16.05
FY 2012	\$200.55	\$175.88	\$24.67	\$16.53
FY 2013	\$206.81	\$181.37	\$25.44	\$17.02

3-7

Fiscal Note - 2010 Senate Bill 476a

FY 2014	\$213.28	\$187.05	\$26.23	\$17.54
FY 2015	\$219.68	\$192.66	\$27.02	\$18.06

The table below lists by statute cite the estimated revenue to be generated by removing the exemption..

3-8

Fiscal Note - 2010 Senate Bill 476a

Statute	Description of Exemption or Exclusion	FY2011 (\$ in Millions)	FY2012 (\$ in Millions)
3603 (b)	Taxes telephone and telegraph services except certain interstate and international services and value-added nonvoice data services	\$ 1.55	\$ 1.60
3603 (c)	Residential utilities.	\$ 130.27	\$ 134.18
3603 (f)	Coin operated Laundry Services	\$ 0.39	\$ 0.41
3603 (i)	Coin operated Dry Cleaning Services	Minimal	Minimal
3603 (m)	Fees and charges by any political subdivision, youth recreation organization exclusively providing services to persons 18 or younger organized as a 501(c)(3) for sports, games and other recreational activities and entry fees and charges for participation.	\$ 0.97	\$ 1.00
3603 (n)	Dues charged by any organization pursuant to paragraph 8 and 9 of 79-201 (veteran & humanitarian organizations) and zoos	\$ 0.36	\$ 0.37
3603 (o)	Motor vehicles exchanged for corporate stock, corporate transfer to itself and immediate family member sales.	\$ 0.22	\$ 0.23
3603 (o)	In 2004, changed the way sales tax computed on isolated and occasional sales of vehicles. Estimated to generate \$2 million annually		
3603 (p)	Labor services for the repair of a residence	\$ 3.10	\$ 3.19
3603 (v)	Sales of bingo cards, bingo faces and instant bingo tickets. Tax rate 2.5 on July 1, 2001 to June 30, 2002; exempt on July 1, 2002	\$ 2.93	\$ 3.03
3606 (v)	Sales of food products purchased by contractor for use in preparing meals for delivery to homebound elderly persons. In 2004, expanded exemption to all personal property purchased by contractor and sales of food products by or on behalf of contractor or organization	\$ 0.89	\$ 0.92
3606 (w)	Residential water	\$ 12.42	\$ 12.79
3606 (ee)	Lottery tickets and shares made as part of a lottery operated by the State of Kansas	\$ 15.12	\$ 15.65
3606 (ii)	Property purchased by nonprofit organization for nonsectarian comprehensive multidiscipline youth development programs and activities and sales of property by or on behalf of such organization	\$ 2.81	\$ 2.91
3606 (ll)	Educational materials purchased for distribution to the public at no charge by a nonprofit public health corporation	\$ 0.09	\$ 0.09
3606 (oo)	Property purchased by a community action group or agency to repair or weatherize housing occupied by low income individuals.	Minimal	Minimal
3606 (qq)	Property and services purchased by a nonprofit museum or historical society which is organized under the federal income taxation code as a 501 (c)(3)	\$ 0.42	\$ 0.44
3606 (rr)	Property which will admit purchases to an annual event sponsored by a nonprofit organization organized under the federal income taxation code as a 501 (c)(3)	\$ 0.04	\$ 0.04
3606 (tt)	Property and services purchased by not-for-profit corporation for the sole purpose of constructing a Kansas Korean War memorial and is organized under the federal income taxation code as a 501 (c)(3)	\$ -	\$ -
3606 (vv)	Property purchased by the following organizations who are organized under the federal income taxation code as a 501 (c)(3): American Heart Association, Kansas Affiliate; Kansas Alliance for the Mentally Ill, Inc.; Kansas Mental Illness Awareness Council; in 2004 added: Heartstrings Community Foundation, Cystic Fibrosis , Spina Bifida Assn, CHWC, Inc., Cross-lines Cooperative Council, Dreams Work, Inc., KSDS, Inc., Lyme Association of Grater Kansas City, Inc Dream Factory, Ottawa 03/09/2010 11:48 AM Suzanne Strings, International Assn of Lions Clubs, Johnson County young Matrons, American Cancer Society, Community Services of	\$ 0.85	\$ 0.88

3-9

Fiscal Note - 2010 Senate Bill 476a

3606 (vv)	Property purchased by the following organizations who are organized under the federal income taxation code as a 501 (c)(3): American Heart Association, Kansas Affiliate; Kansas Alliance for the Mentally Ill, Inc.; Kansas Mental Illness Awareness Council; in 2004 added: Heartstrings Community Foundation, Cystic Fibrosis , Spina Bifida Assn, CHWC, Inc., Cross-lines Cooperative Council, Dreams Work, Inc., KSDS, Inc., Lyme Association of Grater Kansas City, Inc Dream Factory, Ottawa Suzuki Strings, International Assn of Lions Clubs, Johnson County young Matrons, American Cancer Society, Community Services of	\$ 0.85	\$ 0.88
3606 (ww)	Property purchased by the Habitat for Humanity for use within a housing project	\$ 0.12	\$ 0.13
3606 (xx)	Property and services purchases by nonprofit zoo or on behalf of a zoo by an entity that is a 501(c)(3)	\$ 0.65	\$ 0.67
3606 (yy)	Property and services purchased by a parent-teach association or organizations and all sales of tangible personal property by or on behalf of such association	\$ 0.61	\$ 0.63
3606 (aaa)	Property and services purchased by religious organizations and used exclusively for religious purposes	\$ 18.59	\$ 19.24
3606 (bbb)	Sales of food for human consumption by organizations exempt by 501(c)(3) pursuant to food distribution programs which offers such food at a price below cost in exchange for the performance of community service by the purchaser.	Minimal	Minimal
3606 (ggg)	Property and services purchased by or on behalf of the Kansas Academy of Science.		
3606 (hhh)	Property and services purchased by or on behalf of Domestic Violence Shelters as members of the Kansas coalition against Sexual and Domestic Violence	\$ 0.06	\$ 0.06

3-10

Fiscal Note - 2010 Senate Bill 476a

3606 (iii)	Property and services purchased by organizations distributing food without charge to other nonprofit food distribution programs. Includes taxes paid on and after July 1, 2005 and prior to July 1, 2006.	\$ 0.25	\$ 0.26
3606 (lll)	Property and services purchased by Special Olympics Kansas, Inc., and sales made by or on behalf of Special Olympics.	\$ 0.03	\$ 0.03
3606 (mmm)	Property and services purchased by Marillac Center, Inc. and sales made by or on behalf of the Marillac Center.	\$ 0.06	\$ 0.06
3606 (nnn)	Property and services purchased by West Sedgwick County - Sunrise Rotary Club for constructing boundless playground.	\$ 0.02	\$ 0.02
3606 (ooo)	Sales made by or on behalf of a public library	\$ 0.01	\$ 0.01
3606 (ppp)	Property and services purchased by non-profit Homeless Shelters, and sales made by or on behalf of these organizations.	\$ 0.11	\$ 0.12
3606 (qqq)	Property and services purchased by TLC for Children and Families, Inc. and sales made by or on behalf of TLC	\$ 0.18	\$ 0.19
3606 (rrr)	Property and services purchased by county law library,	\$ 0.11	\$ 0.12
3606 (sss)	Property and services purchased by catholic charities or youthville and sales made by or on behalf of catholic charities or youthville	\$ 0.69	\$ 0.71
3606 (ttt)	Property and services purchased a contractor for a purpose of restoring, constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling a home or facility owned by a nonprofit museum which is a qualified under the governor	\$ 0.11	\$ 0.12
3606 (uuu)	Property and services purchased by Kansas Children's Service League and sales made by or on behalf of the KCSL	\$ 0.16	\$ 0.17
3606 (vvv)	Property and services purchased by Jazz in the Woods and sales made by or on behalf of such organization	\$ 0.01	\$ 0.01
3606 (www)	Property purchased by or behalf of Frontenac Education Foundation and sales made by or on behalf of such organization	\$ 0.00	\$ 0.00
3606 (xxx)	Property and services purchased by the Booth Theatre Foundation, Inc. Provides for refund of sales taxes paid from January to July 2007.	\$ 0.03	\$ 0.03
3606 (yyy)	Property and services purchased by the TLC Charities Foundation, Inc. and sales made by or on behalf of these organizations.	\$ 0.00	\$ 0.00
3606 (zzz)	Property purchased by Rotary Club of Shawnee Foundation		
3606 (aaaa)	Property and services purchased by or on behalf of Victory in the Valley and sales made by or on behalf of such organization	\$ 0.02	\$ 0.02
3606 (bbbb)	Guadalupe Health Foundation, sales of entry or participation fees, charges or tickets for annual fundraising event	\$ 0.12	\$ 0.12
3606 (cccc)	Property and services purchased by or on behalf of Wayside Waifs for the purpose of providing such organizatoins annual fundraising event and sales made by or on behalf of such organization	\$ 0.01	\$ 0.01
3606 (dddd)	Property or services purchased by or on behalf of Goodwill Industries or Easter Seals o Kansas, Inc for the purpose of providing education, training and employment opportunities for people with disabilities and other barriers to employment	\$ 0.04	\$ 0.04
3606 (eeee)	Property or services purchased by or on behalf of All Beef Battalion, Inc. for the purpose of educating, promoting and participating as a contract group through the beef cattle industry in order to carry out such projects that provide support and morale to members of the United States armed forces and military services.	\$ 0.00	\$ 0.00
3606 (ffff)	Property and services purchased by Sheltered Living, Inc for the purpose of providing residential and services for people with developmental disabilities or mental retardation, or both; and sales made on behalf of such organization	\$ 0.03	\$ 0.03
03/09/2010 11:48 AM			
Total		\$ 104.46	\$ 200.55

3-11

	contract group through the beer cattle industry in order to carry out such projects that provide support and morale to members of the United States armed forces and military services.	\$ 0.00	\$ 0.00
3606 (ffff)	Property and services purchased by Sheltered Living, Inc for the purpose of providing Fiscal Note 2010 Senate Bill 436 with developmental disabilities or mental retardation, or both; and sales made on behalf of such organization	\$ 0.03	\$ 0.03
	Total	\$ 194.46	\$ 200.55

**Administrative Impact**

Costs to revise sales tax publications is estimated at \$1,050.

**Administrative Problems and Comments**

The department requests the bill be amended to strike the "exception" language referring to coin-operated dry cleaning services in K.S.A 3606 (i), so that there is no confusion the proposal intends to make all coin-operated laundry and dry cleaning services taxable. The removal of the exemption for coin-operated laundry services, found in 79-3606 (f), is currently in the bill.

**Taxpayer/Customer Impact**

Removes exempt status from most nonprofit organizations, taxes certain services and provides a clear policy for fund-raising sales by nonprofit organizations.

**Legal Impact**

Approved By:



Joan Wagnon  
Secretary of Revenue

3-12

KANSAS  
ASSOCIATION



OF  
SCHOOL  
BOARDS

1420 SW Arrowhead Road • Topeka, Kansas 66604-4024  
785-273-3600

Testimony before the  
**Senate Ways and Means Committee**  
on  
**SB 476**

by  
**Mark Tallman, Assistant Executive Director/Advocacy**  
Kansas Association of School Boards

**March 15, 2010**

Mr. Chairman, Members of the Committee:

Thank you for the opportunity to testify in support of **SB 476**. Our primary reason for supporting this measure is, we believe the state must raise additional revenue to avoid or at least minimize further damaging cuts to vital public services, particularly elementary and secondary education.

We clearly understand the budget you passed last Friday, which provides no additional reductions in K-12 state aid programs but would result in cuts to early childhood education programs funded through the children's initiatives fund, will require over \$350 million in new revenue to balance. The KASB Delegate Assembly voted in December to encourage the Legislature to consider all possible ways of raising revenue, including general tax rate increases, recent tax reductions, and various tax exemptions, such as are addressed in this bill.

We believe it is appropriate to consider repealing tax exemptions because as our members have studied tax policy, we are concerned about the erosion of the Kansas sales tax base. We believe as a general principle of taxation the tax base should be as broad as possible and tax rates as low as possible. Kansas has been moving in the opposite direction. Every time a new exemption is granted, that slice of economic activity is removed from contributing its share in support of government services – services that help make such economic activity possible.

As your staff in the Kansas Legislative Research Department has shown in the publication "Tax Facts," the overall burden of state and local taxes as a percent of income has not been rising over time – in fact, it has declined slightly over the past several years. But the share of tax revenue coming from sales and use taxes has fallen noticeably in the past decade, mostly at the cost of higher property taxes.

Senate Ways & Means Cmte  
Date 3-15-2010  
Attachment 4

Obviously we share concerns about the impact of tax policy on economic recovery and growth in Kansas. But we urge the committee to keep two things in mind. First, additional cuts in state programs will lead to further job losses and a reduced demand for Kansas goods and services at a time when the state is struggling to emerge from recession. Second, the long term future of our state and its citizens depends on improving educational achievement. Low taxes won't help people who lack the skills to compete for high income jobs.

This bill would help the state avoid deeper cuts by extending the sales tax to certain transactions currently exempt. We believe the revenue currently lost under these exemptions could help maintain vital public services. We believe this measure could be part of the solution for the state's revenue needs.

Thank you for your consideration.



**Making public schools great for every child**

KANSAS NATIONAL EDUCATION ASSOCIATION / 715 SW 10<sup>TH</sup> AVENUE / TOPEKA, KANSAS 66612-1686

**Mark Desetti, Testimony  
Senate Ways and Means Committee  
March 15, 2010**

**Senate Bill 476**

Mister Chairman, members of the committee, thank you for the opportunity to provide testimony to you today sharing our thoughts on SB 476.

We rise in support of this measure because we believe very strongly that tax exemptions need to be brought under control. While this bill does not completely address that issue, it is a step in the right direction and we applaud KACIR for their efforts.

We support the elimination of sales tax exemptions granted to specific organizations by name. Sometimes it seems the criterion for an exemption is one's ability to find a parking place and the committee room. Organizations that come before the tax committees are generally persuasive enough to win their own. A reading of the exemptions demonstrates this. I have often used the example of Ottawa Suzuki Strings. Without passing judgment on the work of this organization or how worthy that work is of a tax exemption, I wonder if there is, for example, a St. Mary's Suzuki Strings or a Garden City Suzuki Strings and, if so, why they don't also have an exemption.

It seems to us that a better approach to the granting of sales tax exemptions is to set guidelines and follow those guidelines consistently. Such guidelines might include the organization's IRS tax status, who the organization serves, and whether or not the organization is doing work that would fall to the state if they were to disappear. The guiding questions in the KACIR Tax-Base Policy Evaluation Guide are an excellent place to begin.

It is likely that many of the organizations listed would retain an exemption under a rational set of guidelines.

We also believe that SB 476 is proposing that the legislature widen the base. By imposing the sales tax on some currently non-taxed goods and services, the base clearly is widened. The continuing expansion of exemptions has narrowed the sales tax base considerably. As you look at broadening the base, you are also able to consider other changes to the code that would address the issue of regressivity. If you broaden the base enough, it is conceivable that you could remove the tax on groceries or simply reduce the rate. And broadening the base can also introduce a greater measure of stability into the sales tax.

We understand that you will have concerns about individual items included in this legislation. It is entirely appropriate that you debate and consider each provision as you seek to restore stability, elasticity, and progressivity to the Kansas revenue system.

You may determine that SB 476 is not perfect the way it is now. But what we urge you to do is to bring the exemptions under control and find ways to both broaden the base and provide adequate resources to serve our education system, our neighbors with disabilities, our seniors, to build and maintain our infrastructure, and to provide for public safety.

**Testimony to the Ways and Means Committee of the Kansas Senate**  
**George McCrary, President**  
**Kansas Health and Fitness Association**  
**March 15, 2010**  
**SUPPORT OF SB 476**

Mr. Chairman, members of the Senate Ways and Means Committee: My name is George McCrary and I am the President of the Kansas Health and Fitness Association. KHFA represents tax paying health clubs throughout the State of Kansas. I am here today in support of Section 3 of Senate Bill 476 - specifically the repeal of Sub (m) on page 13 that would remove sales tax exemptions for the sale of memberships by certain not-for-profit organizations. There are many other provisions in this legislation which we will leave to your good discretion and determination - issues such as whether listed not-for-profits should be granted sales tax exemptions for purchases which they make.

But when not-for-profits go into the business of **selling** goods or services on a systematic and regular basis, not only is the State being harmed by this kind of exemption, but private enterprise is being harmed as well. Health and fitness clubs in the state of Kansas not only collect sales tax on dues for memberships they sell, in addition they pay property taxes, they pay income taxes, they pay sales taxes on purchases that they make. These clubs and their members collect and/or pay nearly \$10 million dollars per year in sales and property taxes, and hundreds of thousands more in income taxes.

The recently issued Legislative Post Audit Report on sales tax exemptions cited the unfairness of providing exemptions to certain not for profits, but not to others with whom they compete (whether for profit or not). Kansas is losing over \$2 million a year for the State General Fund if we merely ask the YMCAs to collect and remit sales taxes from the sale of their health and fitness club memberships. This will have no impact on the operations of the YMCAs; as they will not be paying the tax, only collecting it.

I am the owner of the Baldwin City Athletic Club in Baldwin City, Kansas. Every member of my club pays sales tax on their membership dues. My question is this: why are my members being treated differently than other Kansas citizens that belong to health clubs just because those clubs are exempted by this statute? My members should be treated the same as those who live in the few cities that have a YMCA. Kansas citizens who belong to health clubs in McPherson, Lansing, Leavenworth, Great Bend, Marysville, Larned, and the multitude of other cities and towns in Kansas should be treated the same as those in Wichita, Kansas City, and Topeka.

Some groups would come to the legislature asking for a tax exemption to deal with an inequity. We are here asking that you pass this provision and not continue to penalize our members and ultimately our clubs. This offers you a win/win situation – tax fairness and equity while at the same time assisting in broadening the sales tax base. Please treat the people of Baldwin City and the majority of other cities in Kansas the same as the few that can belong to a YMCA. Thank you.

**Senate Ways & Means Cmte**  
**Date** 3-15-2010  
**Attachment** 6

6-2

990 Year	City in Kansas	Memberships	Sales Tax %	Total Sales Tax	Sales Tax %	State Sales Tax
2007	Atchinson	\$256,743	7.55%	\$19,384	5.30%	\$13,607
2007	Garden City	\$445,812	7.45%	\$33,213	5.30%	\$23,628
2007	Hutchinson	\$771,557	7.05%	\$54,395	5.30%	\$40,893
2007	Junction City	\$202,965	7.55%	\$15,324	5.30%	\$10,757
2007	Kansas City (KS & MO)*	\$18,516,282	7.55%	\$1,397,979	5.30%	\$981,363
2007	McPherson	\$374,724	6.80%	\$25,481	5.30%	\$19,860
2007	Pittsburg	\$761,697	7.30%	\$55,604	5.30%	\$40,370
2007	Salina	\$1,394,267	7.20%	\$100,387	5.30%	\$73,896
2007	Topeka	\$2,681,640	7.95%	\$213,190	5.30%	\$142,127
	<b>Total</b>	\$25,405,687				
	Average other Cities	\$2,822,854				
	Andover***	\$2,200,000	6.30%	\$138,600	5.30%	\$116,600
2007	<b>Wichita**</b>	<b>\$20,409,573</b>	<b>6.30%</b>	<b>\$1,285,803</b>	<b>5.30%</b>	<b>\$1,081,707</b>

<b>Total Sales Tax</b>	<b>\$3,339,361</b>	<b>\$2,544,809</b>
<b>Less Kansas City Mo</b>	<b><u>\$559,192</u></b>	<b><u>\$392,545</u></b>
<b>Kansas State &amp; Local Sales Tax</b>	<b><u>\$2,780,169</u></b>	<b><u>\$2,152,264</u></b>

\*Kansas City Est. is based on a percentage of their total memberships that is estimated to be in Kansas

\*\* The Wichita YMCA changed it reporting method in 2007 and no longer separates Memberhips  
 Instead they combine it with Program Services. The Membership numbers reflect  
 The average of Membership percent as a part of Revenue from the last few years.

\*\*\* Andover numbers are based on a projected estimate of membership sales in 2010 based on YMCA numbers

Testimony to Senate Ways & Means Committee  
In Support of SB 476  
March 15, 2010

Mr. Chairman and Members of the Committee, my name is Shannon Jones. I am the director of the Statewide Independent Living Council of Kansas, (SILCK). The SILCK envisions a world in which people with disabilities are valued equally and participate fully. To realize that vision, the SILCK works closely with the 12 Centers for Independent Living to promote productivity and economic self sufficiency for people with all types of disabilities.

The SILCK supports SB 476 and repealing certain tax exemptions.

State agencies, K-12 and higher education funding get an annual review and when revenue is scarce; they all receive cuts. Their budgets are reduced by 5%, 10%, or 15%. The foundation or organization outside of state government comes to the legislature and the governor and says we are doing good and because of that we should have an exemption and the exemption lives on in perpetuity with the value of the exemption continuing at 100%. The state agencies and public education, also worthwhile and important functions within our state are called upon to do the same work as always but by the way your budget is reduced by 5%, 10% or 15%.

The state has provided \$10 Billion plus over the last 10 years in the way of tax exemptions, credits and exclusions. These exclusions have been provided with little transparency and accountability. These multiplying exemptions add to the revenue burden by shrinking the tax base. We view the task of the legislature as the body responsible for ensuring fairness and accountability for all of the citizens and not just the favored few.

In this time of revenue shortfall, you as legislators have a unique opportunity to re-instate fairness and accountability into our tax system. As you think of the exemptions before you and the exemptions already on the books, consider them as a budget item that needs to undergo the annual budget review in the same way as state agencies and public education and justify their existence as an expenditure and then include

Senate Ways & Means Cmte

Date 3-15-2010

Attachment 7

them as a line item in the final state budget so they can be reviewed by not only you but by all Kansans.

The SILCK will support you in any comprehensive review of exemptions, credits and exclusions to ensure fairness in the tax system. And after all of that, if it is determined that there is still the need for taxes; SILCK will support any move to increase taxes.



MARK A. SCHREIBER  
Director, Government Affairs

**Written Testimony of Mark Schreiber  
Before the Senate Ways and Means Committee  
On SB 476  
March 15, 2010**

Chairman Emler and members of the committee, thank you for the opportunity to present testimony on Senate Bill 476. The bill reinstates the state sales tax on residential electric and gas utility bills. Westar Energy has a neutral position on this bill, but wants to put its effects on our customers in proper context for the committee members. Electric utilities all across the nation are experiencing rate increases, even as consumers are feeling the pinch of the global economic recession.

Bills for our electric customers contain various government-imposed fees or taxes. For instance, all of our incorporated cities have a franchise fee, which allows us to use the public right-of-way within the city limits. Over the last 10 years, most cities have raised their franchise fee to the rate of 5% of electric sales within the city limits. The franchise fee is paid by the customer through their electric bill. Additionally, many cities have a local sales tax, which also is paid by our customers. All of these fees/taxes are identified as separate line items on our bill. Unlike our residential customers, many non-residential customers are currently subject to the state sales tax, and we collect it from those customers. For state and local sales taxes and local franchise fees, Westar is, in essence, a tax collector. We turn over all the tax proceeds to the governing entities and are not paid a "collection fee."

Westar Energy and most other electric utilities are in the midst of the largest major utility infrastructure expansion in three decades. A large portion of these increases is occurring as electric utilities invest to comply with such new laws as requirements for increasing amounts of renewable generation and stricter environmental regulation to protect air and water. These government mandates mean higher rates for our customers. Westar's electric rates have increased significantly in the past year, and will continue to increase in the future in order to cover the investments to comply with these mandates, and to keep up with consumer demand and maintain our system in good working condition. We are sensitive, as I'm sure you are, to any increases in our customers' bills. Though our rates are among the lowest in the state, continued investment in our power plants, transmission lines and distribution system will cause rates to increase over the next few years. If the sales tax was applied, Westar Energy customers

818 South Kansas Avenue / P.O. Box 889 / Topeka, Kan  
Telephone: (785) 575-8369 / Fax: (785) 575-8119 / Mobile: (785) 575-8119  
mark.schreiber@WestarEnergy.com

Senate Ways & Means Cmte  
Date 3-15-2010  
Attachment 8

would annually pay an additional \$27 million on their electric bills. We would urge caution in considering this increase.

In the current recession, some of our customers have difficulty paying their bills in full and on time, hence our arrearages are gradually creeping upward. We believe this tax is a public policy question, which is wrapped in the overall state budget challenge. Thus it requires a broader perspective than just our customer base.

March 15, 2010

Senate Ways and Means

Honorable Jay Emler, Chairman

Honorable Committee Members

Testimony in Opposition to S.B. 476

Mr. Chairman, my name is Dennis Wilson, and I represent Kansas Churches for Fair Taxation, a newly formed coalition made up of many churches and denominations and various religious groups whose use of the sales tax exemption is threatened in this bill on Page 35, starting on Line 1.

First, allow me to provide a little history. I served in the Kansas Legislature both The House and Senate, and have a great deal of respect for everyone who serves in the Legislative body. I, along with many of my of my colleagues in 1998, chose to pass a Bill that exempted religious organizations who qualified under the IRS ruling 501© (3). The bill ended up as an amendment to a larger tax bill that was signed into law by Governor Bill Graves.

The arguments for the merits of this exemption ring as true today as it did 11 years ago. The fact that the religious organizations like churches, synagogues, and many other religious activities who have had the benefit of no taxation from the federal government to the state level, is a time-tested advantage because of the sacred work that they extend to the most needy of our society.

Think of the many ways that these various organizations save the State of Kansas, and the Federal government money. Often times, they take care of the homeless, the

Senate Ways & Means Cmte

Date 3-15-2010

Attachment 9

poor, those who have no other place to turn to in the middle of the night. Women and children who have been abused, those who are experiencing mental difficulties, those who are seeking food and shelter, or counseling to save a marriage. Often times, providing food and clothing during the holiday seasons, and the most intangible of all needs: Providing the opportunity of salvation to all of God's children.

Just think if all the churches and religious organizations did not provide these services and functions for our society. We as a state would be more burdened. We would be deeper in debt, and our SRS divisions could not begin to meet the needs with all of these additional demands for services.

Now, we as a coalition recognize the enormous task that lie ahead of you trying to find the resources to balance the budget, but please consider that some of these exemptions actually pay dividends to our state.

This coalition is made up of churches from every corner of Kansas, and today in this room I have many who live and work and/or represent those in your communities who would respectfully and prayerfully ask you to not repeal this exemption. The issue is of vital importance to us, and we will be actively working during the entire legislative session to communicate the critical nature of this exemption.

Most all of us, worship somewhere and I am sure you are well aware that these organizations also face financial difficulties in these times, and the savings of every penny may make the difference of not turning away any person in need. This coalition wants you to know that we will be praying for all legislators during these very difficult days, and you have our utmost respect for your service to Kansas. With that Mr. Chairman, I would now be pleased to answer any questions you may have.

**TESTIMONY**

TO: The Honorable Jay Emler, Chair  
And Members of the Senate Ways and Means Committee

FROM: Jim Hattan  
On behalf of the YMCAs of Kansas

RE: SB 476 An Act concerning sales taxation; relating to the imposition  
of tax on certain services; exemptions, repealed; fundraising  
sales.

DATE: March 15, 2010

Good morning Chairman Emler and Members of the Committee. I am Jim Hattan and I am appearing before you today on behalf of the ten Kansas YMCAs in opposition to the provisions of SB 476 that would impose a sales tax on certain memberships, programs and purchases provided by the YMCA's and other non-profit organizations in Kansas.

By way of information, I serve as the President and Chief Volunteer Officer of the Greater Wichita YMCA.

From our review of SB 476, we believe the repeal of sales tax exemptions found on pages 13-14 under K.S.A. 79-3603 (m) and (n), and provisions on pages 26 and 31 under K.S.A. 79-3606 (ii) and (rr) would negatively impact Kansas YMCAs and the communities they serve.

As we are all aware, the economic challenges facing Federal, state and local governments have placed an extraordinary burden on their ability to provide much needed services to Kansas citizens. That is the reason we are here today – to evaluate current sales tax exemptions under these difficult times to see if they continue to be good public policy.

The state of Kansas has made significant cuts in its spending and state programs over the past two years and continues to evaluate ways to close its revenue shortfall that are sure to include even more budget cuts. The most difficult of these reductions are in the area of social services, where our most vulnerable citizens are forced to do without needed services making their lives even more challenging.

As you consider making changes in the state's tax policy, we thought it important for you to hear from Kansas YMCAs to learn more about what we are doing to supplement and complement the state's efforts to provide meaningful services to all of its citizens, but perhaps most importantly, to those in great need at this difficult time.

Senate Ways & Means Cmte  
Date 3-15-2010  
Attachment 10

A few of the facts about the YMCA's of Kansas can best illustrate this point:

- 545,700 Kansans were served by YMCAs in 2009. This represents one out of every 5 Kansans and includes more than 180,000 (or one out of every four) Kansas kids.
- \$10.1 million in free and assisted YMCA programs were delivered to more than 80,000 Kansans in 2009. Many of these programs would have to be provided by the government if YMCAs were not available.
- YMCAs are the state's largest provider of child care, youth camps, fitness activities, sports programs, after school programs and swim lessons.
- YMCAs serve vulnerable Kansans and tailor programs to serve the elderly, military families, at-risk youth and special needs children and adults.
- In 2009, YMCAs worked to Activate America, providing free health fairs, screenings, exercise and nutrition activities for Kansas communities at a total value of more than \$560,000.
- YMCAs received nearly \$9.0 million in financial support from individuals and local businesses, with an additional \$2.5 million donated in volunteer services from more than 11,000 volunteers across the state.
- YMCAs are volunteer-led, nonprofit community organizations that belong to the communities they serve.
- YMCAs serve their entire community and provide access to programs and services regardless of a person or family's ability to pay. No one is turned away from a YMCA for financial reasons.

As you can see from this brief list of YMCA services, Ys are helping the state of Kansas provide a safety net for some of our most vulnerable citizens, particularly during these difficult times.

Due to the tenuous condition of our economy, many of the families served by the YMCA are struggling to make ends meet. Consequently, adding sales tax to the costs of our memberships and programs is not an option in these difficult times. These additional taxes will result in further burdens on these vulnerable families. YMCAs will see a loss of participants, loss in funding and ultimately our ability to provide services will be significantly reduced. If YMCAs absorb the taxes in an effort to continue providing affordable services, free and assisted programs like after school programs, youth sports, scholarships and child care will be forced to take on cuts. Unfortunately, in either scenario it will be the most vulnerable of our citizens who will be asked to shoulder the majority of this burden, as YMCAs are forced to reduce free and assisted program offerings to meet the challenges of increased costs due to sales taxes.

If organizations like the Y are not able to provide these much needed services in our communities, who will? State and local governments are not going to be able to step in and provide these kinds of services nor will the for-profit, private sector.

Kansas is with the overwhelming majority of states that provide for a sales tax exemption for YMCA memberships; only two states collect sales taxes on memberships.

The YMCA's mission is to serve the community through programs that promote healthy lifestyles, strong families and positive youth development, regardless of an individual's ability to pay. Our mission is not driven by the bottom line.

I would like to close by saying we know you have a difficult task ahead of you as you work to balance the state's budget. The YMCAs are facing similar challenges with more and more people making economic decisions in regard to their memberships, increased requests for services and increases in the number of people seeking financial assistance from our facilities.

The YMCAs of Kansas respectfully suggest that increasing our costs by assessing sales taxes on our membership fees, programs and purchases will be very regressive and lead to further loss of the programs and services provided by our organization and similarly-situated ones, making any increase in state revenue more than offset by a loss of such programs in our communities.

Thank you for your consideration of our comments today.

Jim Hattan  
President and Chief Volunteer Officer  
Greater Wichita YMCA

Hearing 15MAR10

Shawn Moten

Shawnee County

**Opposing Bill No.2549**

- I'm here to represent six non-profit organizations that are opposing Bill No. 2549, specifically the reinstatement of the taxation of gross receipts on charitable bingo. These organizations include American Legion Post No. 001 and 400, VFW Post 1650, Desert Conference of Kansas, Euclid Lodge #2, and Great Bend Kids Wrestling Club.
- **Bingo is already being taxed!**
- All of these organizations use a very large portion of the funds collected from charitable bingo not only to give back to the communities that they live in, but also to keep their own doors open. The non-profit organizations listed above literally wouldn't exist without the funds they get from holding charitable bingo. Just a few of the donations that these non-profits make include donations to the local VA hospital, local kids wrestling programs, and a local Cancer Research Foundation.
- Bingo is currently taxed at the rate of .002 dollars per face for bingo paper and 1% of gross receipts for pull tabs. Bill No. 2549 proposes to also tax the gross receipts from the sale of bingo paper. This is ON TOP of the current tax. Also, the Bill does NOT state at what percent it would tax the gross receipts so I'm going to assume it's going to be at the States current sales tax rate of 5.3%. I'm sure each county would also impose their tax as well...so according to this proposal, a Non-profit organization holding bingo in Shawnee County would have to pay 7.95% on its gross receipts from bingo ON TOP of the tax that they currently pay. Since the proceeds from bingo are easily these non-profits main source of income, passing this bill AS IS will literally force most VFW's, American Legions, and other non-profit organizations to close their doors for good. This is NOT an opinion...but a fact!
- In closing, I believe that the small gains that would come from this new tax would easily be used up in its enforcement and record keeping efforts. Also, the State would lose any gains it has from this bill after half of the bingo halls close their doors. This money would be better off kept in the communities from where it came and used in the ways that these non-profits are currently using it. On a personal note, I've read this entire bill and realize that there must be changes made somewhere. A 400 Million dollar deficit isn't going to fix itself. I even agree with some parts of the bill...however, I believe that each tax exemption should be looked at by itself, one at a time (tedious and time consuming, but necessary)...NOT grouped in one bill. One size does NOT fit all!

Senate Ways & Means Cmte

Date 3-15-2010

Attachment 11

Thank you for the opportunity of speaking before your committee.

My name is Leonard Dale, Co-Chairman of Arab Temple Bingo, here to relate our opposition to Senate Bill 476.

Unlike most of those in opposition to Senate Bill 476, Charitable Bingo is run and operated by volunteers of the specific organizations. On any given night of Bingo, there will be from 12 to 16 volunteers working. They must be 18 or older.

Arab Temple conducts Bingo one night per week.

Each Licenser may conduct Bingo games no more than 2 days per week.

Bingo is struggling now; this Bill will only make it worse.

There is very little an organization like ours can do to generate enthusiasm for people to come and play Bingo with us when all they have to do is go to the Casinos and have much larger prizes and opportunities to win than we can offer, or special prizes we cannot offer.

We can offer a special prize of \$25 – four times per year.

We cannot offer Bonanza games, wild number games or pig number games, or sell packs of paper that allow for doubling the prize like the Casinos.

As for taxes, Charitable Bingo already pays taxes. We pay .002 cents per face on the bingo paper. For instance, we just purchased a set of 3 views, 4 up paper. The cost of this paper 1000 set was \$119.25. The tax paid to the state was \$72.00.

Let me give you an example of how close the margin is. When we open the doors, we are obligated to pay out \$1200 for regular Bingo. Assuming 86 people entering buy a set of 9 views and two speed ball papers at a cost of \$14 each.

Senate Ways & Means Cmte  
Date 3-15-2010  
Attachment 12

86 x 14 = \$1204, so before cost we would make \$4.00.

The Cost of Paper	\$31.00
Enforced Tax	22.00
Proposed Tax	<u>60.00</u>
	\$123.00
Parking Lot Guard	<u>80.00</u>
	\$203.00

So now our obligation opening the doors is not \$1200, it is now \$1407.00. So now it will take 104 players purchasing a set of 9 views and two speed balls to break even on regular called Bingo.

This does not allow for depreciation, utilities or maintenance of the building.

We do play two other games, Early Bird, thirty minutes prior to the regular Bingo. We figure about 2/3 (two-thirds) of the 104 at the Early Bird section which would be 70 players. Assume they each person buys 1.5 (one and one-half) sets, which would be 105 sets at \$5.00 (five dollars) each, would equal \$525, our payout would be \$44.00 (forty-four dollars) per game with a payout of \$264.00, leaving a

Cost	4.00	Enforcement tax	525.00	Sales
	13.65	for Paper	-264.00	Payout
	<u>26.41</u>	<u>Proposed Tax</u>	-	<u>44.00</u>
	44.06	Cost		217.00
				Profit

### **Progressive Bingo**

Depending on how high the Jackpot is, has a great determination on how much paper or faces the Bingo Players buy. The prize runs from the low of \$250 to \$1000 jackpot with no winner, the prize is always \$100.

With the same 104 Bingo players, with the prize at \$600, we would estimate selling 100 sets of progressive at \$5.00 or \$500. The Bingo players must have a

regular Bingo in 7 (seven) numbers. If no one wins, the prize is \$100, (one hundred dollars). If there is a winner, the prize is \$600.

	<u>With No Winner</u>	<u>With Jackpot Winner</u>
Cost: 2.50 Enforcement Tax	500.00	500.00
10.00 Paper Cost	100.00 Payout	600.00 Payout
<u>25.15 Proposed Tax</u>	<u>17.00 Cost</u>	<u>17.00 Cost</u>
17.65	483.00 Profit	-117.00 Loss

So considering this scenario for a Friday night, on Regular Bingo with 104 Bingo players, we broke even.

On Early Bird Bingo we made \$217 profit.

On progressive Bingo we made \$483 profit with no one winning the Jackpot.

So with that scenario, we made \$700 for the evening. On the same note, with a winner of the Jackpot, the profit would be \$100.

So as all of you can see, there is absolutely no room for new taxes; and you should be well aware that we are all operating within the laws you in the Senate and House have drawn up. With the economy the way it is at the present time, most, if not all of the Bingo halls are at a loss as how to get more players, with the shrinking economy. The City of Topeka's No Smoking Ordinance has not helped.

Subjecting Bingo gaming to additional taxes would be severely detrimental to the Arab Shrine Temple's Bingo livelihood, and the possibility of terminating Bingo would be likely – thereby generating NO tax revenue for the State of Kansas. This is not just true for Arab Temple, but all charitable Bingo organizations in the state.



Leonard Dale



**Girl Scouts of NE Kansas & NW Missouri  
Testimony in opposition to Senate Bill 476**

**Dr. Carol Hansen, CEO**

**March 15, 2010**

Thank you Chairman Emler and Committee members for allowing me to speak on behalf of Girl Scouts.

In today's fast-paced world, opportunities for girls to develop leadership skills are scarce. Girl Scouts fills a critical gap that our schools are simply unable to provide because of fewer resources. We are passionate about empowering girls to develop positive lifelong skills through our Girl Scout Leadership Experience—covering a wide range of topics including career exploration, financial literacy, science, arts, outdoor adventures, and more. Girl Scouting in Kansas goes beyond time-honored traditions of cookies, crafts and camping to offer girls these cutting-edge opportunities. In addition to these skill-building opportunities, Girl Scouts participate in a number of service projects that improve communities throughout Kansas. Last year, Girl Scouts across Kansas gave more than 250,000 hours of service. Girl Scouts - We're building Kansas' future leaders, but our ability to continue doing so is in jeopardy.

The three Girl Scout councils in Kansas (Girl Scouts of NE Kansas & NW Missouri, Girl Scouts of Kansas Heartland and Girl Scouts of the Missouri Heartland) serve more than 30,000 girls and 10,000 adult volunteers. As the premier leadership organization for girls, we deliver programming to **girls from all walks of life, regardless of their ability to pay**. When you think of Girl Scouting, you most often think of the traditional troop setting. However, we serve girls in non-traditional ways including staff-led programming in areas where volunteers are unavailable and Girl Scouting would cease to exist or by providing programs to girls and their incarcerated mothers. Continuing to serve girls from all walks of life depends on our efforts to raise money from a variety of sources, but reductions in individual, corporate and United Way contributions have already forced us to close offices, camps and cancel programs, and if sales tax exemptions are removed, girls would have even fewer opportunities.

Senate Ways & Means Cmte

Date 3-15-2010

Attachment 13

For the sake of today's girls and tomorrow's leaders, we ask you to **oppose Senate Bill 476**, and allow us to maintain our current sales-tax exemption. Girl Scout Cookie Sales account for nearly sixty percent of our annual revenue, and the passing of the proposed bill would cause a negative economic impact on products sales alone of more than \$500,000 to the Girl Scouts organization in Kansas. Our current sales-tax exemption is crucial to the viability of our organization.

This deep of a cut would potentially affect vital services such as Outreach (serving girls in underrepresented or underprivileged areas), financial aid, volunteer training and Girl Scout properties. These areas are considered at risk because they are primarily "output" and not "input," meaning we receive little if any income to offset expenses.

Some have suggested that we simply raise the price of a box of cookies to offset the sales-tax expense, but national statistics indicate that Girl Scout councils who have recently raised prices have experienced as much as a 20% drop in sales—meaning it is not a feasible option to pass the sales-tax expense on to the consumer.

And a decrease in sales would directly impact those we are serving. Girls use the funds from Cookie Sales to pay their own way through Girl Scouting. They purchase their own uniforms and earned awards, as well as supplies for their troop meetings and local community service projects.

Your opposition to Senate Bill 476 will help ensure that Girl Scouting in Kansas can continue to thrive by providing quality programs, leadership opportunities and outdoor educational experiences to girls from all walks of life. We ask you to consider the valuable services we provide (some of which federal and state services can no longer provide) when making decisions about non-profit sales tax exemptions.

Thank you for your time and consideration.

# # #

MO-KAN LAUNDRY ASSN.

11525 BLUE RIDGE BLVD.  
KANSAS CITY MISSOURI 64134

CELL: 816-809-8454 FAX: 816-765-1245  
QUARTER-MAN@ATT.NET

11 March 2010

Senate Hearing on Bill SB476

Greetings Mr. Chairman & Committee members:

We are concerned about the removing the exemption of the tax law #3603f, concerning self-serve laundries. There is a reason that exemption is there and I hope to be able to make it clear to you today why.

There are 3 different ways in looking at this exemption and why it should not be removed from the tax law.

The First one and maybe the most important is the health issue. Having CLEAN CLOTHES IS NOT A LUXURY ITEM. It is what is expected and what americans want today. The workplace, the schools, everywhere demands it as a part of a normal life for all kansans. Self-serve Laundries are available to kansans. The customers that we have are lower middle class to fixed income people. Self-serve Laundries are the only avenues that these people have to go to work, school, anywhere in clean clothes. How many Mcdonald's, Grocery stores, Walgreens, Hospitals janitors, School Janitors would have a job if they wore dirty clothes all the time. If you remove the exemption you will put pressure on many small self serve laundries that they might close. If they are the only laundry in town what will these people do. How may this affect diseases like H1N1., etc. You have some testimonies in front of you that say that some of those owners may close because they do not feel like they can raise prices any more and they cannot afford to just pay it out of there pockets.

Two, The average american in 2008 made \$46,000 while the avg. Kansan made \$37,640 in 2008. That is 18.2% under the national. The avg. customer in a self-serve laundry in America makes \$23,000 that is 39% under the average Kansan. But that is not all. If the avg. Kansan is 18.2% under the national then the avg. kansan customer is around \$16,500. I am saying that to show that this removal of the exemption would be a total tax on the poor. The Newspaper will read" You as a Kansan on a fixed income, or low level job cannot afford a washer & dryer at home than we as the state officials penalize you to payan additional sales tax to have the basics of life to have clean clothes to work or go to school in.

Since the recession started I have witnessed as well as I have heard from Laundry owners in Wichita, Garden city, Mission, and Lenexa how our customers have had to change there habits of washing clothes. We have had customers come in sort their clothes, load them in a washer to find they do not have enough money to wash them all. So they take some of them out and go through them to see if some of them can be worn again before washing, or just take some dirty ones home that maybe next time they may have enough money to wash them all.

Thirdly, I think the exemption was put into this law because we as Self-Serve Laundry Owners pay sales tax on the equipment when we purchase it, we pay sales tax on all our replacement parts, we pay sales and use tax on all of our utilities.

Senate Ways & Means Cmte  
Date 3-15-2010  
Attachment 14

The Natural Gas, Propane, Electricity, Water & Sewer, Telephone, etc. we pay sales tax just like all of you folks but we normally pay more percentage wise because we are rated as commercial customers. That causes an increase in our charges and normally higher tax rate makes us paying more tax on our utilities. And the bottom line is that for Self-Serve Laundries we are just a resaler of utilities. We provide no service to those that come in to do their own laundry. We pay sales tax on all of our own supplies and if we sell supplies over the counter we charge sales tax and remit that to the state. That clearly makes this removal of the exemption a Double Tax on Self - Serve Laundries.

As already stated many laundry owners do not feel that they can raise their prices any more on our financially beaten down customers. And many of the smaller Laundries in many of your small towns that only have one laundry in it like Winfield, Ottawa, Fredonia, the list goes on and on: What happens if they close? How do your average fixed income constituents get their clothes washed? How can they get jobs? How can those children go to school, etc?

I do ask and request that you leave the exemption in this law for the good of all Kansans both average and those on fixed incomes.

Thank you again for hearing my testimony today.

Bob Meuschke  
President Mo-Kan CLA

14-2



American Heart Association® | American Stroke Association®

*Learn and Live®*

March 15, 2010

TO: Senate Committee on Ways and Means

FROM: Linda J. De Coursey, Advocacy Director—Kansas

RE: SB 476—Imposition of sales tax on certain goods and services, elimination of certain sales tax exemptions and fundraising sales

**you're** the **cure**™

Mr. Chairman and members of the Committee:

My name is Linda De Coursey, and I am an employee of the American Heart Association. Thank you for the opportunity to submit written testimony on SB 476.

The American Heart Association exists to build healthier lives free of heart disease and stroke – the first and third leading causes of death in the United States and Kansas. In fact, cardiovascular disease and stroke account for over 35% of all deaths in Kansas each year and are responsible for more deaths than the next seven leading causes of death combined. Nationally, it is estimated that total direct expenditures for treatment of cardiovascular disease in 2009 will be nearly \$304.8 billion. Adding indirect costs for lost productivity and the total cost of cardiovascular disease for 2009 is estimated to top \$475.3 billion.

The human and financial impact of cardiovascular disease and stroke are too great to ignore. The American Heart Association has been the leader in the prevention and treatment of cardiovascular diseases. The research we have funded just at our Kansas institutions of higher learning has yielded tremendous results including the discovery of new drugs to treat and prevent minor strokes, as well as the collection of important data on the re-narrowing of arteries following angioplasty.

Simply stated, the work of not-for-profit health organizations such as the American Heart Association play a major role in the betterment of life for all Kansans. Not only are Kansans benefiting from our free health screenings and information, but our universities benefit from the investment we make through our research grants. The American Heart Association is second only to the federal government for cardiovascular and stroke research funding.

Here is just a quick look at some of the extraordinary impacts the American Heart Association offered in Kansas during 2009.

- **Consumer Outreach:** Thousand of people are getting credible information to help them eat better, exercise more and take control of their heart health with our patient education resources. We distributed more than 5.4 million pieces of patient education information nationally.
- **Consumer Health:** Go Red for Women is the American Heart Association's campaign to teach women to turn personal choices into lifesaving actions. As well as Start!, our movement to get people to work more, eat well and live longer!
- **Research:** National Research Program Dollars to be paid to Research Institutions: Total of \$64.6 million. In Kansas, \$593,772 was awarded.

Senate Ways & Means Cmte  
Date 3-15-2010  
Attachment 15



Senate Committee on Ways and Means  
March 15, 2010  
Page Two



Kansas State University—\$143,000; Kansas University Medical Center (2) - \$360,000; and Kansas University – Lawrence \$ 90,772 for a total of \$593,772.

Simply stated, the work of the American Heart Association plays a major role in the betterment of life for Kansans. As you can see, any money we save through the sales tax exemption is put to good use and reaches people of all ages throughout the state. In addition to the services above, we continually provide physicians and other medical personnel the latest research and prevention education so that they can be of better service to their patients.

We recognize that you and your colleagues have difficult decisions to make, but I doubt that the value of the Heart Association's sales tax exemption will amount to much more than a rounding error in your budget deliberations. On the contrary, however, the loss of the exemption would certainly impact our ability to deliver life-saving benefits back to the state at the levels we currently do. We understand the economic situation the state of Kansas is currently in, and understand looking to all levels, but we truly hope you will not pass this bill.

Thank you, Mr. Chairman and members of the committee, for allowing us to state of concerns.

15-2

# RESEARCH FACTS

## Research: Our Strategy To Fight CVD and Stroke

Nearly 2,300 Americans die of cardiovascular diseases each day — one person every 38 seconds. Cardiovascular diseases claim more lives each year than cancer, chronic lower respiratory diseases and accidents combined. About every 25 seconds, an American will have a coronary event, and about every minute someone will die from one. On average, every 40 seconds someone in the United States has a stroke.

*Research is a major weapon in our fight against these diseases.*

Since 1949, the American Heart Association has spent more than \$3.2 billion on research to increase our knowledge about cardiovascular diseases and stroke. In 1948–49, the American Heart Association's National Center and affiliates contributed \$700,000 to research; in 2008–09, we contributed more than \$132.2 million, which compares favorably with other health organizations. (See chart on page 2.)

*The following summarizes the distribution of the association's 2009 awards:*

- Cardiovascular Disease-Related: 401 awards totaling \$59.6 million
- Cardiovascular Disease- and Broadly Stroke-Related: 331 awards totaling \$43.9 million
- Cardiovascular Disease- and Closely Stroke-Related: 58 awards totaling \$13.6 million
- Closely Stroke-Related: 87 awards totaling \$13.6 million
- Broadly Stroke-Related: 111 awards totaling \$13.4 million

## Research: Our Commitment

To ensure that knowledge discovery continues, the American Heart Association is committed to supporting early career investigators. We're second only to the federal government in funding cardiovascular and stroke research. Yet, our combined efforts fall short each year — forcing many promising young researchers into other careers because only a fraction get the funding needed. To avoid losing a generation of researchers, we award over 70 percent of our research dollars to early career investigators. In 2008–09, that amounted to \$100.8 million.

Each of our eight American Heart Association affiliates channels at least 28 cents of every publicly donated dollar into research. For each dollar, 13 cents supports the association's National Research Program, and at least 15 cents supports the affiliate research program.

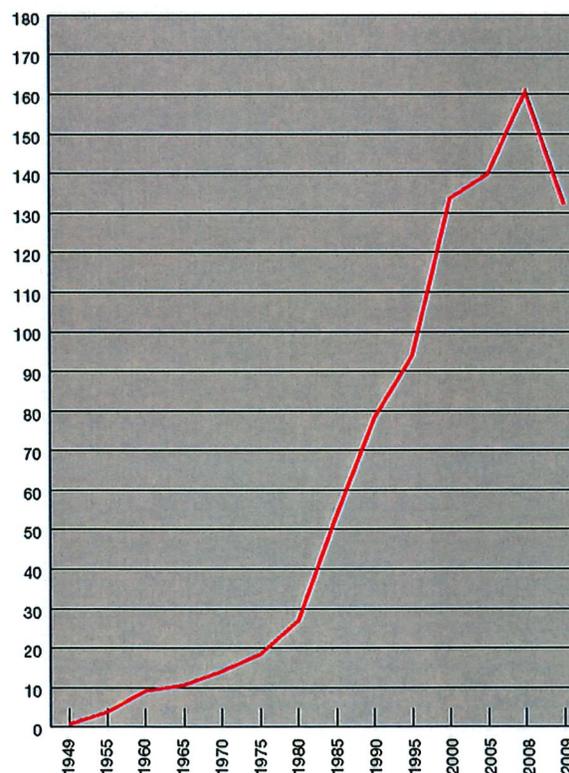
Of the \$132.2 million spent on research in 2008–09, administrative costs of \$5.5 million for national and affiliate programs represent only 4.2 percent of the total.

## Research: More Support Needed

Our research programs have contributed to many important scientific advances. Yet we need more resources to attract and encourage promising scientists to careers in cardiovascular and stroke research, fund high-quality research projects and originate new programs to meet the needs of the research community. For example, although we funded 1,021 new research awards in 2008–09, we didn't have the additional \$153.4 million needed to fund over 1,000 other highly meritorious grant and fellowship applications. This means that many scientific projects must be shelved and the knowledge that would result from them deferred.

## AHA Annual Research Expense: 1949–2009

In Millions of Dollars



## Partnerships

In 2007, the Henrietta B. and Frederick H. Bugher Foundation's commitment of \$8.4 million created a network of three centers for stroke prevention research. Now in their third year, the American Stroke Association-Bugher Foundation Centers for Stroke Prevention Research are discovering new knowledge on stroke prevention, providing insights into the challenges and successful mechanisms for scientific collaboration and producing a cadre of new investigators who are energizing this field.

With a \$14.5 million contribution from the AHA Pharmaceutical Roundtable, we funded four centers for cardiovascular and stroke outcomes research in 2008. The initiative is also supported by a generous gift from American Heart Association board member David Spina and his wife, Stevie. Over four years, these centers will strive to determine what interventions, environments, patient factors and other issues most influence improvements in health care outcomes for heart disease and stroke patients. The interaction among the centers is already beginning to provide in-depth knowledge and support breakthroughs in outcomes research, while uncovering challenges and successful mechanisms for active collaboration among research centers.

In 2009, with support from the Jon Holden DeHaan Foundation, investigators in centers focused on cardiac myogenesis research began efforts to understand the fundamental mechanisms underlying development and specification of cardiac myocytes and the application of insights gained from these studies to benefit patients with cardiac injury. This initiative is also supported by the W.W. Smith Charitable Trust.

We've also established other research funding partnerships with organizations that share a common interest in developing targeted fields related to cardiovascular disease and stroke. In 2009 these partnerships funded training and early career awards in:

- Cardiovascular aging (Association of Specialty Professors)
- Children's cardiomyopathy (Children's Cardiomyopathy Foundation)
- Emergency medicine (Emergency Medicine Foundation/Society for Academic Emergency Medicine)
- Friedreich's Ataxia (Friedreich's Ataxia Research Alliance)
- Resuscitation (Philips Medical Systems)

## Research: Goals for the Future

In 1999 we set a 10-year goal: to reduce coronary heart disease, stroke and risk by 25 percent by 2010. By fall 2009, death rates from coronary disease had fallen 37.5 percent and deaths from stroke had fallen 32.5 percent. Tens of thousands of people are alive today as a result of this accomplishment.

Reducing risk was less successful. We achieved our goal for reducing high blood pressure and the goal for cholesterol may be met. Smoking reduction may fall a bit short of our goal. We did not achieve our 2010 goals for physical activity, obesity or diabetes.

To sharpen our focus on reducing risk, in 2009 we set a 10-year goal for 2020: to improve the cardiovascular health of all Americans by 20 percent while reducing deaths from cardiovascular diseases and stroke by 20 percent. The AHA will work to achieve his goal by providing knowledge-based solutions for people of all ages, at all levels of risk and leading efforts in research, prevention and treatment.

The AHA research community will strive to:

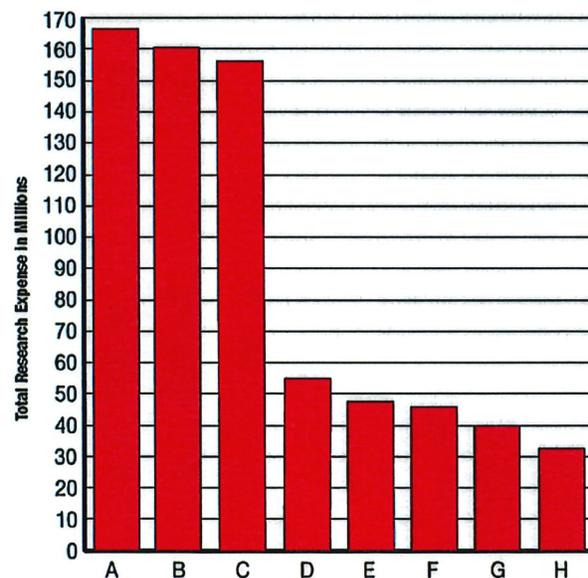
- ensure that highly meritorious research and discovery continues;
- speed the discovery of new ways for people to maintain and improve their health; and
- set a research agenda focused on maintaining the best possible health at all stages of life.

To reach these goals the research program has made the following vision a priority:

*The American Heart Association will be the premier cardiovascular and stroke influencing agent for developing and funding early career investigators, including high school and undergraduate students. The association will endorse and support multidisciplinary and collaborative models; undertake high-risk, high-reward research; actively balance basic, clinical, population and translational research; and expand its international scope.*

To support this vision, several new award programs have been implemented, including the Clinical Research Program, a summer fellowship for undergraduate students and the Innovative Research Grant, which aims to support innovative, high-risk/high-reward research that could lead to critical discoveries or major advancements in the fields of cardiovascular and stroke research.

## 2008 Research Expense for Major Health Agencies



Organization	2008 Research Expense
A Juvenile Diabetes Research Foundation	166.1 million
B American Heart Association	160.4 million
C American Cancer Society	156.4 million
D American Diabetes Association	54.4 million
E Muscular Dystrophy Association	47.1 million
F National Multiple Sclerosis Society	45.1 million
G March of Dimes (includes research and medical support)	40.0 million
H Alzheimer's Association	32.3 million

Source: Respective Health Agencies' 2008 Annual Reports

## National Research Program

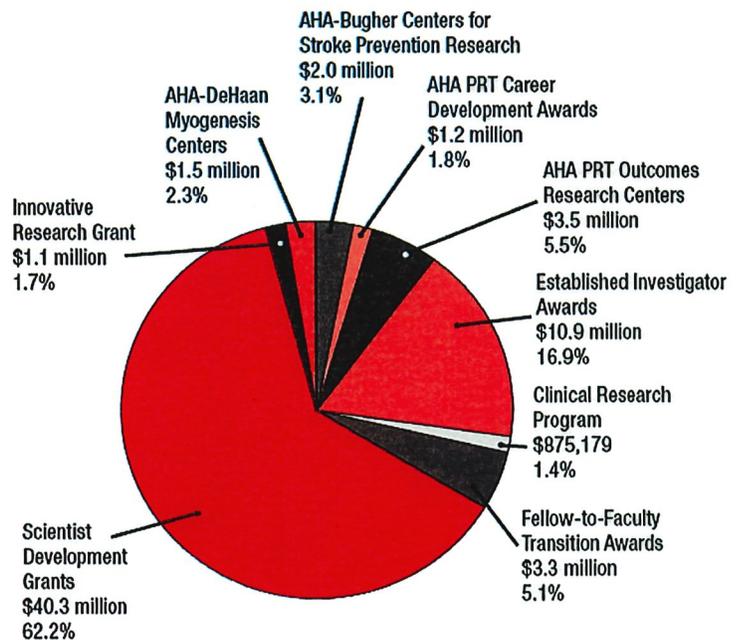
Program	2009 New Awards	2009 Continuing Awards	Award Amount	Award Duration	New Commitments*	Description
Clinical Research Program	9	8	\$55,000	2 years	\$983,330	To encourage early career investigators to engage in high-quality introductory and pilot clinical studies that will guide future strategies for reducing CVD and stroke.
Fellow-to-Faculty Transition Award	4	26	\$593,000 over 5 years	5 years	\$2.2 million	To provide funding for beginning physician-scientists with outstanding potential for careers in cardiovascular and stroke research.
Scientist Development Grant	147	472	\$77,000	4 years	\$45 million	To support highly promising beginning scientists in their progress toward independence; bridges the gap between completion of research training and readiness as an independent investigator.
Established Investigator Award	18	101	\$100,000	5 years	\$9 million	To support mid-career investigators with unusual promise, a rapidly growing research career committed to CVD or stroke and an established record of accomplishments.
Innovative Research Grant	14	0	\$75,000	2 years	\$2.1 million	To support highly innovative, high-risk, high-reward research that could ultimately lead to critical discoveries or major advancements that will accelerate the field of cardiovascular and stroke research.
AHA-Jon Holden DeHaan Foundation Cardiac Myogenesis Research Centers	3	0	\$2 million/center over 4 years	4 years	\$6 million	To fund research that focuses on understanding the fundamental mechanisms underlying development and specification of cardiac myocytes and the application of insights gained from these studies to the benefit of patients with cardiac injury.
AHA PRT Outcomes Research Centers	0	4	Up to \$3.89 million/center over 4 years	4 years	0	To fund cardiovascular and stroke research focused on the end results of health care and the determinants of these outcomes.
AHA PRT Career Development in Implementation Research	0	9	\$150,000/yr project support	4-year maximum	0	To stimulate career development in investigators interested in implementation research in primary and secondary prevention and quality of care.
ASA-Bugher Foundation Centers for Stroke Prevention Research	0	3	Up to \$2.6 million/center over 4 years	4 years	0	To produce a network of interacting institutions and scientists for collaborative, multidisciplinary research to improve stroke prevention, support breakthroughs to advance stroke prevention and produce a cadre of new investigators.

\*The full, multi-year amount of new research awards approved in 2008-09 for activation Jan. 1, 2009 and July 1, 2009. Source: Division of Research Administration, American Heart Association

### National Research Program Dollars to Be Paid to Research Institutions in American Heart Association Affiliate Areas, 2009-10

Founders Affiliate <i>CT, MA, ME, NH, NJ, NY, RI, VT</i>	\$13.4 million
Great Rivers Affiliate <i>DE, KY, OH, PA, WV</i>	\$8.9 million
Greater Southeast Affiliate <i>AL, FL, GA, LA, MS, PR, TN</i>	\$5.5 million
Mid-Atlantic Affiliate <i>D.C., MD, NC, SC, VA</i>	\$7.0 million
Midwest Affiliate <i>IA, IL, IN, KS, MI, MN, MO, ND, NE, SD, WI</i>	\$10.5 million
Pacific Mountain Affiliate <i>AK, AZ, CO, HI, ID, MT, OR, WA, WY</i>	\$3.2 million
South Central Affiliate <i>AR, NM, OK, TX</i>	\$5.9 million
Western States Affiliate <i>CA, NV, UT</i>	\$10.1 million
<b>Total 09-10 National Expense</b>	<b>\$64.6 million</b>

### Distribution of National Research Program Dollars to Be Paid in 2009-10



## Affiliate Research Programs, 2008–09

<b>Summer Undergraduate Research Fellowship</b>	Three affiliates offer programs to help students explore careers in cardiovascular and stroke research; 52 new awards funded in 2008–09 totaling \$221,000.
<b>Predocutorial Fellowship</b>	All affiliates offer programs to help post-baccalaureate students initiate careers in cardiovascular and stroke research; 268 new awards funded in 2008–09 (\$11.9m) and 280 continuing awards totaling \$24.4m.
<b>Postdoctoral Fellowship</b>	All affiliates offer programs to provide training for and encourage the pursuit of research careers; 254 new awards funded in 2008–09 (\$22.1m) and 216 continuing awards, totaling \$41.5m.
<b>Clinical Research Program</b>	Six affiliates offer programs to encourage early career investigators to engage in high-quality introductory and pilot clinical studies; 22 new awards funded in 2008–09 (\$2.64m) and three continuing awards totaling \$2.98m.
<b>Scientist Development Grants</b>	Two affiliates offer this program to help promising beginning scientists move from completion of research training to independent investigators; 22 new awards funded in 2008–09 (\$4.4m) and 43 continuing awards totaling \$13.2m.
<b>Beginning Grant-in-Aid</b>	Seven affiliates offer this program to promote the independent status of promising beginning scientists; 84 new awards funded in 2008–09 (\$11.6m) and 99 continuing awards totaling \$24.8m.
<b>Grant-in-Aid</b>	All affiliates offer programs to support innovative, highly meritorious cardiovascular and stroke research projects from independent investigators; 166 new awards funded in 2008–09 (\$26.1m) and 235 continuing grants totaling \$64.6m.

## Affiliate Research Program Dollars To Be Paid to Research Institutions in American Heart Association Affiliate Areas, 2009–10

<b>Founders Affiliate</b>	<b>\$10.1 million</b>
<b>Great Rivers Affiliate</b>	<b>\$8.7 million</b>
<b>Greater Southeast Affiliate</b>	<b>\$10.1 million</b>
<b>Mid-Atlantic Affiliate</b>	<b>\$7.7 million</b>
<b>Midwest Affiliate</b>	<b>\$13.2 million</b>
<b>Pacific Mountain Affiliate</b>	<b>\$5.0 million</b>
<b>South Central Affiliate</b>	<b>\$6.5 million</b>
<b>Western States Affiliate</b>	<b>\$8.0 million</b>

*Affiliates listed in bold type participated in the National Cooperative Research Program by investing some of their research dollars to support awardees of the association's National Research Program.*

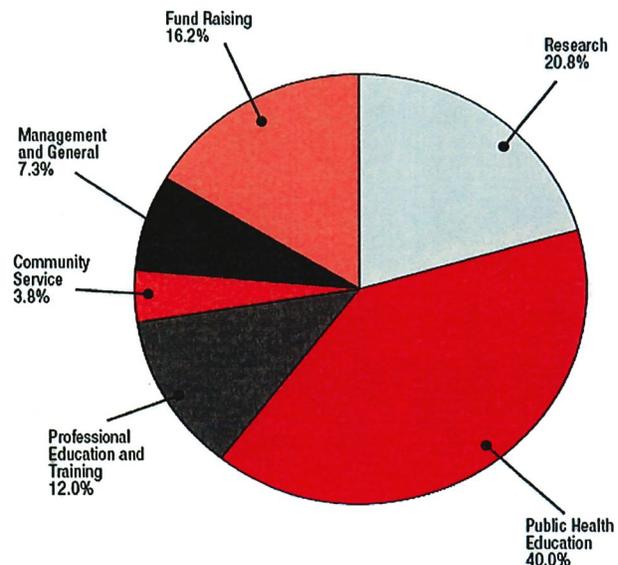
## Research: Science Focus

The American Heart Association funds research broadly related to cardiovascular function and disease and stroke. Within this broad range of topics, the following shows the 2009 commitment to awards related to specific risk factors or populations:

Topic	2009 commitment*
African Americans	\$7.08 million
Aging/elderly	\$13.71 million
Asian Americans	\$3.97 million
Cholesterol	\$10.96 million
Diabetes	\$16.14 million
High blood pressure	\$26.35 million
Hispanic/Latino Americans	\$5.76 million
Native Americans	\$2.70 million
Nutrition	\$6.37 million
Obesity	\$16.79 million
Outcomes research	\$9.36 million
Pediatric research	\$10.76 million
Physical activity/inactivity	\$5.75 million
Smoking/Tobacco	\$1.34 million
Women	\$11.25 million

*\*The table is not additive, as one project may encompass more than one category.*

## Distribution of American Heart Association Expenditures 2008–09



Source: American Heart Association 2009 Annual Report.

# Heart and Stroke Research in the Midwest Affiliate 2009-2010

MEDICAL RESEARCH leads to better ways to diagnose, treat and prevent heart disease and stroke in your community. Since 1949, the American Heart Association has invested over \$3.2 billion in studies that led to medical advances such as artificial heart valves, CPR, pacemakers, cholesterol drugs, microsurgery and drug-coated stents.

In 2009, we funded 190 new multi-year studies at 31 research institutions in the Midwest Affiliate that cost more than \$23.5 million. Here are some of the important topics that are currently being studied:

## **ILLINOIS** \$5,475,732 for 59 studies

### **Loyola University, Maywood**

\$351,000 for 5 studies, including:

- Better understand a protein's role in cardiovascular disease

### **Northwestern University, Chicago & Evanston**

\$1,926,628 for 23 studies, including:

- How to stop a parasite from invading heart cells
- How white blood cells move to infected or damaged tissue
- Why cells deprived of oxygen during a heart attack die when blood flow is restored

### **Rehabilitation Institute of Chicago**

\$90,772 for 1 study

- Help stroke survivors regain hand and arm movement

### **University of Chicago**

\$2,073,572 for 18 studies, including:

- Why people respond differently to stress hormones
- Why the body sometimes rejects a transplanted organ
- Better understand the causes of congenital heart disease

### **University of Illinois, Champaign-Urbana**

\$357,272 for 3 studies, including:

- Why exercise increases muscle damage caused by statin cholesterol drugs

### **University of Illinois, Chicago**

\$676,488 for 9 studies, including:

- How bone marrow stem cells help repair heart injury
- Prevent and treat "leaky" blood vessels

## **INDIANA** \$1,525,215 for 11 studies

### **Ball State University, Muncie**

\$141,950 for 1 study

- Increase the physical activity level of cardiac rehab patients

### **Indiana University, Bloomington**

\$492,993 for 2 studies, including:

- Cause of viral myocarditis (inflamed heart muscle)

### **Indiana University, Indianapolis**

\$643,272 for 5 studies, including:

- Cause of abnormal heart rhythms in failing hearts
- How a gene mutation affects heart development

### **Purdue University, West Lafayette**

\$247,000 for 3 studies, including:

- Evaluate abdominal compression CPR

## **IOWA** \$1,889,616 for 17 studies

### **University of Iowa, Iowa City**

\$1,889,616 for 17 studies, including:

- Better understand electrical rhythm disturbances in the heart
- Prevent blood vessel damage from high blood pressure
- Better understand a premature aging disease

## **KANSAS** \$593,772 for 4 studies

### **Kansas State University, Manhattan**

\$143,000 for 1 study

- Better understand the effects of obesity on the immune system

### **University of Kansas, Lawrence**

\$90,772 for 1 study

- Role of oxidative stress in cardiovascular disease

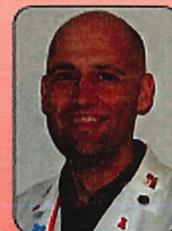
### **University of Kansas Medical Center, Kansas City**

\$360,000 for 2 studies, including:

- How polyphenols in our diet protect the cardiovascular system

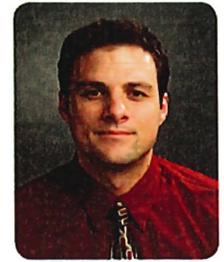


**Stephen Keith Chapes, PhD,** is conducting a study at Kansas State University to better understand the negative effects of obesity on the immune system.



**Erick Brincks, MA,** is conducting a study at the University of Iowa to help prevent cardiovascular complications caused by influenza.

15-7 (over)



**John Thyfault, MS, PhD**, is conducting a study at the University of Missouri to determine if statin cholesterol drugs reduce insulin sensitivity and the benefits of exercise.

**MICHIGAN** \$2,887,447 for 20 studies

**Henry Ford Health System, Detroit**

\$451,000 for 2 studies, including:

- Stroke therapy using bone marrow cells and a cholesterol drug

**Michigan State University, East Lansing**

\$342,224 for 4 studies, including:

- Reduce delayed wound healing in type 2 diabetics

**University of Michigan, Ann Arbor**

\$1,899,223 for 12 studies, including:

- How oxidative stress causes cardiac arrhythmias
- Cause of Long Q-T syndrome, a congenital heart condition

**Wayne State University, Detroit**

\$195,000 for 2 studies, including:

- Effect of physical inactivity on the cardiovascular system

**MINNESOTA** \$4,243,173 for 18 studies

**Hennepin County Medical Center, Minneapolis**

\$110,000 for 1 study

- Treat cardiovascular disease in HIV patients

**Mayo Clinic, Rochester**

\$886,488 for 8 studies, including:

- How sleep apnea can interfere with heart attack recovery

**University of Minnesota, Minneapolis & St. Paul**

\$3,246,685 for 9 studies, including:

- Reduce inflammation and plaque that increase heart attack risk
- Prevent obesity in young adults at community colleges

**MISSOURI** \$3,533,764 for 31 studies

**Children's Mercy Hospitals and Clinics, Kansas City**

\$29,000 for 1 study

- Treat defective heart valves in children and young adults

**University of Missouri, Columbia**

\$522,000 for 4 studies, including:

- Whether statin drugs reduce the benefits of exercise

**Washington University in St. Louis**

\$299,000 for 4 studies, including:

- Better understand how the heart develops before birth

**Washington University School of Medicine in St. Louis**

\$2,683,764 for 22 studies, including:

- How Chlamydia bacteria affect cholesterol levels
- Better understand salt handling by the kidney
- Better treat patients with a ruptured brain aneurysm

**NEBRASKA** \$865,000 for 6 studies

**University of Nebraska, Lincoln**

\$451,000 for 2 studies, including:

- Reduce brain damage cause by stroke

**University of Nebraska Medical Center, Omaha**

\$414,000 for 4 studies, including:

- Understand kidney damage in early stage of type 1 diabetes

**NORTH DAKOTA**

No new studies were funded in 2009. One continuing four-year study of blood pressure regulation that cost \$260,000 is being conducted at North Dakota State University in Fargo.

**SOUTH DAKOTA**

No new studies were funded in 2009. Five continuing multi-year studies that cost nearly \$1.2 million are being conducted at the University of South Dakota in Sioux Falls and Vermillion.

**WISCONSIN** \$2,535,168 for 24 studies

**BloodCenter of Wisconsin, Milwaukee**

\$143,000 for 1 study

- Better understand a protein's role in new blood vessel formation

**Medical College of Wisconsin, Milwaukee**

\$764,948 for 5 studies, including:

- Better understand blood clot formation in the placenta during pregnancy

**University of Wisconsin, Madison**

\$1,319,220 for 17 studies, including:

- Better understand brain cell death related to Alzheimer's disease and stroke
- Better understand an enzyme that can cause thickening of the heart muscle
- Better understand kidney problems related to diabetes

**University of Wisconsin, Milwaukee**

\$308,000 for 1 study

- Develop a stroke treatment with less risk of bleeding than the drug tPA has

**Six Types of Research Awards**

Your donation will help scientists find causes and cures for heart disease and stroke.

**Summer Undergraduate Research Fellowships** encourage students to consider research careers (10 weeks; \$4,000 total).

**Pre-Doctoral Fellowships** help students start careers by providing research assistance/training (1 or 2 years; \$26,000/year).

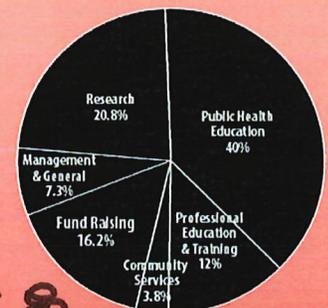
**Post-Doctoral Fellowships** help trainees start careers while obtaining significant research results (1 or 2 years; up to \$56,036/year).

**The Clinical Research Program** helps early career investigators conduct introductory or pilot clinical studies (2 years; \$55,000/year).

**Scientist Development Grants** help promising beginning scientists move from training to independent investigation (3 years; \$71,500/year).

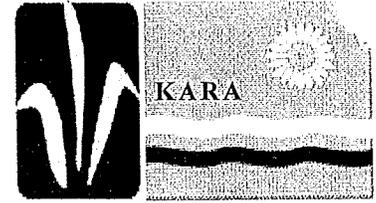
**Grants-in-Aid** fund the most innovative research projects of independent investigators (2 years; \$71,500/year).

**How Your Donation Saves Lives**



15-8

Nationwide, fiscal year 2008-09 (latest figures available)



**Written Statement of the Kansas Grain and Feed Association and Kansas Agribusiness Retailers Association in Opposition to Senate Bill 476**

Presented to the Senate Ways and Means Committee on March 15, 2010  
Senator Jay Emler, Chair

Chairman Emler and members of the Senate Ways and Means Committee, I am Ron Seeber, Vice President of Government Affairs of the Kansas Grain and Feed Association (KGFA) and the Kansas Agribusiness Retailers Association (KARA).

The KGFA is a voluntary state association with a membership encompassing the entire spectrum of the grain receiving, storage, processing and shipping industry in the state of Kansas. KGFA's membership includes over 950 Kansas business locations and represents 99% of the commercially licensed grain storage in the state. KARA's membership includes over 700 agribusiness firms that are primarily retail facilities which supply fertilizers, crop protection chemicals, seed, petroleum products and agronomic expertise to Kansas farmers. KARA's membership base also includes ag-chemical and equipment manufacturing firms, distribution firms and various other businesses associated with the retail crop production industry.

We are opposing the bill specifically on page 16 of the bill, lines 33-40. Currently, businesses do not pay sales taxes to service, maintain or clean machinery and equipment (tangible, real property), but this bill would change that and amount and has the potential to cost our businesses possessing such equipment. We have heard of different definitions on whether our industry would be affected and fear that an incorrect interpretation could have unintended dire consequences.

Thank you for this opportunity to testify on this legislation.

KGFA & KARA MEMBERS ADVOCATE PUBLIC POLICIES THAT ADVANCE A SOUND ECONOMIC CLIMATE FOR AGRIBUSINESS TO GROW AND PROSPER SO THEY MAY CONTINUE THEIR INTEGRAL ROLE IN PROVIDING KANSANS AND THE WORLD THE SAFEST, MOST ABUNDANT FOOD SUPPLY.

# HEIN LAW FIRM, CHARTERED

5845 SW 29<sup>th</sup> Street, Topeka, KS 66614-2462

Phone: (785) 273-1441

Fax: (785) 273-9243

*Ronald R. Hein*

*Attorney-at-Law*

Email: rhein@heinlaw.com

## **Testimony re: SB 476**

### **Senate Ways and Means Committee**

**Presented by Ronald R. Hein**

**on behalf of**

**National Kidney Foundation of Kansas and Western Missouri**

**March 15, 2010**

Mr. Chairman, Members of the Committee:

My name is Ron Hein, and I am legislative counsel for and a Board member of the National Kidney Foundation of Kansas and Western Missouri. NKF KS/MO is a regional office of the National Kidney Foundation with a service area of the entire state of Kansas and the western portion of the state of Missouri. Its mission is to assist patients with kidney disease. It fulfills this mission through numerous services including raising funds for research; providing direct patient care and treatment; providing early intervention screenings; providing a camp for children with kidney disease, including kids on dialysis; organ donation awareness and numerous other programs.

For those of you who don't know, my wife, Julie, unselfishly donated a kidney to me in 1996, after my kidneys failed as a result of childhood onset Type I Diabetes. I also subsequently received both a kidney and a pancreas from a non-living donor in 2007, which cured my 44 years of diabetes. As a result of that experience, and for other reasons, my wife Julie and I are vitally interested in organ donation without remuneration.

I also previously served on the Board of Directors of the NKF, and Julie and I provide lobbying services for them on a pro-bono basis.

NKF opposes SB 476 which repeals the sales tax exemptions for the 501(c)(3) health associations, including the National Kidney Foundation of Kansas and Western Missouri.

The fiscal impact to the state of Kansas by eliminating this exemption is relatively minimal. But my reason for opposing is NOT just because NKF does NOT want to pay the tax, it is because the NKF can just as easily buy their goods in Missouri, and thereby avoid paying any Kansas tax, and take their business cross border. When I first lobbied for the exemption for the NKF, they had their office on Stateline, and they could easily, and did, purchase their goods and supplies in Missouri so as to save the sales tax cost of Kansas tax. Thus Missouri, while not getting any sales tax, gets the economic development, generates the revenue for jobs, and gets the tax revenue from income tax, payroll taxes, and the turnover effect of the dollars spent in that state.

Senate Ways & Means Cmte

Date 3-15-2010

Attachment 17

Senate Assessment and Taxation Committee  
March 15, 2010

The NKF urges your opposition to the removal of this sales tax exemption in SB 476.

Thank you very much for permitting me to submit this written testimony.



AARP Kansas  
555 S. Kansas Avenue  
Suite 201  
Topeka, KS 66603

T 1-866-19  
F 785-23.  
TTY 1-877-434-7598  
www.aarp.org/ks

March 15, 2010

The Honorable Jay Emler, Chairman  
Senate Ways and Means Committee

Reference – SB 476

Good morning Chairman Emler and members of the Senate Ways and Means Committee. My name is Ernest Kutzley and I am the Advocacy Director for AARP Kansas. We represent the views of more than 345,000 members across the state of Kansas. Thank you for allowing us to present our testimony in opposition to SB 476.

SB 476 would eliminate the 0% sales tax applicable to residential gas and electric utility services. AARP believes that these types of charges should take into account the limited ability of low-income people to afford necessary services. These fees fall disproportionately on the older population who are low-income, including minorities and women who live alone. Many of these Kansans will not see an increase in their Social Security benefits this year as their cost of living continues to rise. They will, however, see continued increases in utility rates as noted in the news releases below:

- **3/11/2010 -WICHITA, Kansas** – City leaders are saying bad math and poor communication are to blame for the possibility of your water bill going up. Wichita City Manager Robert Layton says he's frustrated. He found out a month ago the water department is millions short for 2010. Lower than expected water usage coupled with flawed financial projections mean the city has to make up for an \$8 million difference and now they want you to pay for it. City leaders are reluctant to point the finger at David Warren, who resigned as head of the water department Wednesday. But they aren't happy with the water department today. Layton apologized to residents for proposing a 15 percent increase in water bills. Depending on how much water you use the average Wichitan should see an increase of between \$3.50 and \$17 a month. For the average Wichita customer using 3,000 gallons a month, the

- States and localities should not enact tax cuts that could threaten vital spending programs when economic activity slows.
- Taxes should be equitable and should distribute the burden according to people's ability to pay.
- Charges should take into account the limited ability of low-income people to afford necessary services.
- Taxation should be progressive and not regressive.

We understand that, during these trying financial times with declining revenues, every aspect of revenue sources should be considered. However, with continuing increases in utility costs, efforts should be made to protect the low-income and elderly and to maintain safety net programs. AARP supports income tax as a preferred method of raising revenue at the federal and state levels because it is the most progressive. We believe that charges should take into account the limited ability of low-income people to afford necessary services. Therefore, we oppose SB 476, which would eliminate the 0% sales tax applicable to all residential utility services.

Respectfully,  
Ernest Kutzley



816 SW Tyler St., Ste. 300  
Topeka, Kansas 66612  
Phone: 785-233-4085  
Cell: 785-220-4068  
Fax: 785-233-1038  
www.kansasco-op.coop

## Senate Ways & Means Committee March 15, 2010

### SB 476 - sales tax imposition and exemptions

Chairman Emler and members of the Senate Ways & Means Committee, thank you for the opportunity to comment on SB 476. As you know, this measure will expand the application of the sales tax and eliminate certain sales tax exemptions.

The Kansas Cooperative Council (KCC) is a voluntary, statewide trade association representing all forms of cooperative businesses across the state -- agricultural, utility, credit, financial, refining and consumer cooperatives. A variety of businesses are covered under the co-op umbrella including financial services, providing electricity and telecommunications services, grain processing, handling and storage, and fuel refining. Thus, a number of sales tax exemptions affect our members.

Justifiable tax exemptions have been created for agriculture, agribusiness, credit unions, REC's and the cooperative business community as a whole. These have been created, in large part, to maintain and foster a competitive business environment and promote business development/growth. The Kansas Cooperative Council supports retention of these exemptions and incentives in our state tax laws. We appreciate the financial situation the state is in, presently, but the KCC also recognizes that elimination of an exemption essentially equals a new or additional tax.

As we examined SB 476, we took particular note of changes on page 16 relative to servicing, maintaining and cleaning machinery and equipment. The majority of our members engage in business activities heavily reliant on a wide range of machinery and equipment. Although final application of any tax change may be subject to some interpretation, those impacted by the loss of this exemption could see noticeable increases in their cost of doing business.

Additionally, we have also noted the removal of the sales tax exemption on electricity. With a significant rural electric presence in this state, and within our KCC membership, the loss of this exemption would have a definite impact on REC member-owners across the state.

We appreciate the opportunity to share some of our concerns with SB 476 with this committee. Because of these concerns, we are unable to support these provisions. If you have any questions regarding our testimony or position on this bill, please feel free to contact me at 785-220-4068. Thank you.

Leslie Kaufman, Executive Director  
Kansas Cooperative Council

Senate Ways & Means Cmte  
Date 3-15-2010  
Attachment 19



**Written Testimony of Scott Jones  
Before the Senate Assessment and Taxation Committee  
In Opposition of Senate Bill 476  
March 15, 2010**

Mr. Chairman, members of the committee, thank you for the opportunity to address this important issue for our customers. First, let us express our gratitude and understanding for the important work you're doing.

Without a doubt, these are challenging times and there are no easy answers. Kansas City Power & Light is involved today to express our concern about the prospect of adding a state sales tax to residential energy bills.

Energy costs are increasing—that's a reality. KCP&L is completing a five-year capital spending plan that has necessarily resulted in a series of rate increases for our customers. We currently have a rate increase proposal in front of the Kansas Corporation Commission.

On the horizon there are significant expenditures planned for a variety of air quality compliance issues, renewable energy investments, general system enhancements, and pending carbon regulation.

We diligently plan for these expenditures and look for ways to minimize impacts on our customers. With the current economic challenges, we've delayed a significant amount of our capital projects and aggressively cut operations and maintenance expenses.

In the end, we can't always prevent impacts to our customers' bills. But, when we have the opportunity, we try to advocate for our customers. For example, while we support the goal of reducing carbon we believed the plans and timelines contemplated for recent cap and trade bills in Congress would result in unnecessary costs for our customers. We worked with our federal delegation to express concerns and offer suggestions to limit the impact on customers.

We hesitantly come before you without an alternative plan to offer and appreciate you taking this concern into account as you look for solutions to this year's budget. We firmly believe you're working in the best interest of the state of Kansas and support your efforts.

Scott Jones – KCP&L  
Manager, Kansas Government Affairs  
816-556-2458; scott.jones@kcpl.com



**Written Testimony of Dave Holthaus**

**Kansas Electric Cooperatives, Inc.**

**Before the Senate Ways & Means S.B. 476**

**March 15, 2010**

KEC represents the 29 electric distribution cooperatives in Kansas, serving 324,000 member/customers in 103 of the 105 counties in Kansas. We respectfully submit written testimony in opposition to the elimination of the sales tax exemption on residential utility bills as proposed in S.B. 476

At this time our Cooperative residential electric members do not pay the 5.3% state sales tax on electric bills. S.B. 476 proposes to end that exemption, leaving cooperative members subject to this additional tax. Electric Cooperatives serve Kansans in struggling rural & small communities. Given the current recession, the unstable Agriculture markets, rural population losses and the current job stagnation, paying electric bills is already challenging enough for our members.

We realize difficult decisions will need to be made to find revenues for this and future budgets, however we oppose this additional sales tax on the electric bills of rural Kansans.

Alfalfa Electric Cooperative, Inc.  
Ark Valley Electric Cooperative Assn., Inc.  
Bluestem Electric Cooperative, Inc.  
Brown-Atchison Electric Cooperative Assn., Inc.  
Butler Rural Electric Cooperative Assn., Inc.  
Caney Valley Electric Cooperative Assn., Inc.  
CMS Electric Cooperative, Inc.  
Doniphan Electric Cooperative Assn., Inc.  
DS&O Electric Cooperative, Inc.  
Flint Hills Rural Electric Cooperative Assn., Inc.  
Heartland Rural Electric Cooperative, Inc.  
Kaw Valley Electric Cooperative, Inc.  
Lane-Scott Electric Cooperative, Inc.  
Leavenworth-Jefferson Electric Cooperative, Inc.  
Lyon-Coffey Electric Cooperative, Inc.

Midwest Energy, Inc.  
Nemaha-Marshall Electric Cooperative Assn., Inc.  
Ninnescah Electric Cooperative Assn., Inc.  
Pioneer Electric Cooperative, Inc.  
Prairie Land Electric Cooperative, Inc.  
Radiant Electric Cooperative, Inc.  
Rolling Hills Electric Cooperative, Inc.  
Sedgwick County Electric Cooperative Assn., Inc.  
Sumner-Cowley Electric Cooperative, Inc.  
Tri-County Electric Cooperative, Inc.  
Twin Valley Electric Cooperative, Inc.  
Victory Electric Cooperative Assn., Inc.  
Western Cooperative Electric Assn., Inc.  
Wheatland Electric Cooperative, Inc.

Senate Ways & Means Cmte

Date 3-15-2010

Attachment 21



3521 SW 5th St  
Topeka, KS 66606  
785-357-5256  
785-357-5257 fax  
kmha1@sbcglobal.net

TO: Senator Jay Emler, Chairman  
And Members of the  
Senate Ways and Means Committee

FROM: Martha Neu Smith  
Executive Director

DATE: Monday, March 15, 2010

RE: SB 476 – Imposition of sales tax on certain goods and services, elimination of  
certain sales tax exemptions and fund-raising sales  
- Comments on K.S.A. 3603(p) Only -

Chairman Emler and members of the Committee, my name is Martha Neu Smith and I am the Executive Director for Kansas Manufactured Housing Association (KMHA) and I appreciate the opportunity to provide written comments in opposition to the repeal of K.S.A. 3603(p) the sales tax exemption on labor services for residential "repair" work.

KMHA is a statewide trade association, which represents all facets of the manufactured and modular housing industry including manufacturers, retail centers, community owners and operators, finance and insurance companies, service and supplier companies and transport companies.

KMHA is opposing the removal of the sales tax exemption on labor services for residential repair work because it will increase the cost of maintaining a home. Over the past several years, at all levels of government the spotlight has been on the need for affordable housing. Manufactured housing is still one of the most affordable forms of unsubsidized housing available and the proposed legislation reinstating sales tax on labor for residential repair will certainly have a negative impact on our homeowners and renters.

The 2009 State of the Nation's Housing report compiled by the Joint Center for Housing Studies of Harvard University states that the number of households paying more than half their income for housing jumped from 13.8 million in 2001 to 17.9 million in 2007. It is no surprise that lower earning families are more likely to spend more than half their income on housing. KMHA believes that the removal of the sales tax exemption on labor for residential repairs will only increase the pressure on affordable housing for families that already have limited housing options.

KMHA would respectfully ask that if the Senate Ways and Means Committee moves SB 476 forward that they consider amending the bill on Page 15, Line 11 to maintain the sales tax exemption on labor for residential repairs.

Thank you for your consideration.

**Senate Ways & Means Cmte**  
**Date** 3-15-2010  
**Attachment** 22



# TLC

Senate Ways & Means Committee  
Monday, March 15, 2010

Chairman Jay Emler:

TLC for Children and Families, Inc. was founded in 1972 by the Johnson County Young Matrons to fulfill an unmet need for emergency shelter for abused and neglected children in our community. The current mission of TLC is to provide opportunities and encourage positive growth and change for children, youth and families while ensuring a safe environment. TLC strives for the preservation and healing of families by providing services to the extent allowed by our resources that compliment existing community services.

TLC currently has nine services most of which are not offered by anyone else in Eastern Kansas. Our major stakeholders include SRS, JJA and area community mental health centers. In addition we provide services for the District Attorney's office, local school districts, and contractors for the State, families and non-custody youth in crisis and homeless teens throughout Eastern Kansas.

In 2009, we served nearly 500 youth in our residential programs and 7,200 youth and families through our foster care and community based programs. We currently have over 175 employees and a total payroll of just under \$6 million. Nearly 80% of our \$9 million budget comes from governmental sources. As you can see we are an extension of the services provided by the local, state and federal governments. We estimate that our yearly sales tax exemption saves TLC nearly \$30,000. The loss of this exemption would greatly impact TLC during a time of significant economic decline.

Finally we are planning a \$5.5 million expansion of our campus that would bring an additional 25 jobs to Kansas. The loss of our exemption could prohibit us in moving forward with this project. This project would include a clinic that would provide services to children and youth with severe psychiatric and developmental disorders such as autism. In the past three years we have added nearly 125 jobs to our community through a previous expansion that would have been prohibited without our exemption. More importantly we would not have been able to offer desperately needed services to the children and families of our community. We humbly ask that you do not consider removing our exemption and impacting the services we offer to our community. We truly are a partner with the State of Kansas and our local government.

Respectfully,

Bob Drummond, Ed.D.  
President/CEO  
TLC for Children and Families, Inc.

**TLC for Children and Families, Inc.**  
480 S. Rogers Rd. • Olathe, KS 66062-1706 • 913-764-2887  
fax 913-780-5387 • email [info@kidstlc.org](mailto:info@kidstlc.org) • web [www.kidstlc.org](http://www.kidstlc.org)



Senate Ways & Means Cmte  
Date 3-15-2010  
Attachment 23



**Wes Ashton**  
Government Affairs for Kansas and Colorado  
Wes.Ashton@BlackHillsCorp.com

**Legislative Testimony in Opposition to SB 476**  
**February 16, 2010**

Thank you for the opportunity to offer legislative testimony this morning in opposition to SB 476, which would in part repeal the state sales tax exemption for residential utilities. Black Hills Energy provides natural gas service to nearly 100,000 residential customers across the state of Kansas. We want to offer our comments today as we believe this will have a negative impact on our customers in the form of higher costs on what is an essential service.

Black Hills Energy understands the current challenges before the Kansas Legislature and understands that difficult choices remain ahead this session with few popular options.

Over the past few years citizens have seen the costs of their energy increase. While we manage prudently, work efficiently and are constantly reviewing ways to limit cost increases, there is a constant struggle to keep up with the rising costs of providing safe, reliable service. Additionally, with the current economic climate, we have delayed a significant amount of our projects, reduced travel and reduced operations and maintenance expenses. The price we pay for natural gas can also be volatile, impacted by supply and demand, the national and global economies and weather. Making natural gas utility services taxable will only increase that cost.

Black Hills Energy has a company philosophy in place to advocate for our customers to ensure that the impact to customers is heard during the legislative process. Last year, we took a firm position on the cap and trade legislation in Congress because of the cost impacts to our customers and other energy customers in the Midwest. While we support cost-effective integration of renewable energy and development of technologies to lower carbon emissions, the legislation would unfairly impact our customers with a significant increase in costs.

Black Hills Energy believes the section of SB 476 that would increase residential utility bills is not a part of the appropriate solution to address the state's budget challenges and should be struck from the bill. This proposal places an inequitable burden on a segment of our customer base, on an increase in essential, basic, non-discretionary services like utilities that can not be afforded. The impact will be felt most on all residential customers, including those that have limited or no discretionary income to see their costs increase. We believe this increase will impact some customers' ability to pay their utility bills, and those costs will then be passed along to the rest of the customer base.

We recognize there are no easy options before this Committee and the Legislature to solve this year's budget challenges, but we respectfully request that you resist adding a tax that would increase the cost of residential utilities. Thank you for your service to Kansas and your consideration of this important issue.

I will be happy to answer any questions you may have at the appropriate time.



**Testimony on Senate Bill 476  
Respectfully Submitted By  
Joe Dick, Government Affairs Officer  
March 15, 2010**

Chairman Carlson and members of the Committee,

Thank you for the opportunity to submit written testimony regarding SB 476, relating to sales tax exemptions on residential utility and water service. The Board of Public Utilities is the largest municipally-owned utility in the state of Kansas. On behalf of our 65,000 electric and 51,000 water customers in Kansas City, Kansas and parts of Wyandotte County, we respectfully submit testimony in opposition to reinstating the sales tax on residential utility and water service.

BPU customers, like all utility customers in Kansas, are trying to make ends meet during this difficult financial crisis. Everything is going up except wages. Kansas unemployment is at an all time high. The prolonged cold weather is drawing utility bills higher further stressing Kansans. We recognize and appreciate the budget crisis the state is experiencing – our customers are experiencing their own financial challenges as well. Reinstating the sales tax on residential utilities will further strain our customers.

The BPU works diligently to provide safe and reliable utility service to our customers while maintaining some of the most affordable utility rates in the state. We have integrated renewable energy, invested in energy efficiency and net metering programs and continue to invest in infrastructure to further improve the quality and safety of our power and water supplies and systems.

The BPU service territory serves many customers now struggling to pay their monthly utility bills. 16.5% of Wyandotte County's population is below the poverty line. BPU sees 12,500 walk-in transactions a month – 625 customers per day. Many of these individuals are in our lobby to make payment arrangements for bills already in arrears.

Please appreciate our customer's struggles and consider all other options to closing the state's budget gap before reinstating the sales tax exemption.



*Keeping America Clean  
One Laundry Room At A Time*

My name is Katherine Stockbauer. I am the Kansas City Regional Vice-President for Coinmach Corporation, providing coin-operated laundry equipment for low-income housing, students and senior citizens, such as the tenants of the Kansas City, Kansas Housing Authority. I respectfully request that you vote NO on Senate Bill 476, specifically page 12 line 34, attempting to tax coin-operated laundry machines. If such taxes are imposed, Coinmach would pass any such taxes on to the folks for whom we provide this equipment, by increasing our prices.

The taxing of coin-operated laundry equipment would be targeting specifically the low-income families, students and seniors, the folks that simply cannot afford it. It would be unfair that those who can afford their own home, or up-scale housing with washers and dryers, are not taxed for laundry, and yet, those that cannot afford such housing, would be taxed for doing their laundry. Coinmach has done all it can to keep the prices as low as we can to cover our costs in the face of sky-rocketing costs; we would have to pass this cost on to our customers.

Imposing such a tax, thereby causing an increased cost for coin-operated laundry equipment may result in the imposing undue health risks upon these specific low-income groups. Keeping themselves and their children in clean is mandatory to public health. Many folks on a shoestring budget may simply stop regularly washing their clothes, sheets and towels, at all, causing an unnecessary risk to public health.

Community members who can afford home laundry equipment do not pay sales tax to wash their clothes. Again, this tax would be specifically target to low-income families, students and seniors. The current economy itself is a burden on these folks, they simply can't afford it.

Again, I respectfully request that you vote NO on Senate Bill 476, specifically page 12 line 34, attempting to tax, specifically coin-operated laundry machines.



## RENTAL MANAGEMENT SOLUTIONS

Phone: 785-266-3499 Fax: 785-266-3994 E-mail: [MGMT@RMSTopeka.com](mailto:MGMT@RMSTopeka.com)  
1515 SW Topeka Blvd., Topeka, KS 66612 [www.RMSTopeka.com](http://www.RMSTopeka.com)

Senator Emler and Committee Members,

Thank you for allowing me to speak today in opposition to Senate Bill 476. I am Travis Maurath, owner of Rental Management Solutions, a property management company that manages property for over 200 real estate investors in Kansas.

This tax before us is one of substantial impact to the residents of my properties, owners of the properties my company manages, and suppliers of laundry equipment that is placed on my properties.

1. A substantial portion of my residents live in our properties out of necessity. They cannot afford to purchase a home of their own and therefore rely on affordable rental property for housing. Most multi-family properties have coin operated laundry due to the age of construction. These older properties are much more affordable than the few new properties that have laundry provided in each unit. Therefore, this tax would only affect the residents that live in the lower rent properties, not the newer, luxury apartment communities. This tax is a tax on the poor only, excluding the population that can afford the higher rents of the newer properties as well as those of course that have the means to rent a home with laundry hook-ups or own a home and have their own laundry appliances.
2. The tax would have a significant impact on the owners of the properties as well who pay substantial property tax and passive income tax. If this tax burden is not passed on to the tenants, the equipment supplier would be left with no choice but to retain a much larger portion of the laundry income in order to continue providing the service. This would have such an impact on the income from the laundry equipment that it would be tough to justify continuing to provide the service due to the cost of the utilities alone, which are taxed and continue to be increased each year. This would result in residents seeking out alternative housing where laundry service is not a problem. The net result is likely to be reduced occupancy on the older properties sending them in to a depressed income state and turning them into sub-par housing for the lowest income population and reducing the overall quality of housing in our state.
3. This tax would have a dramatic affect on laundry service providers, either way it is handled. I suspect that if the providers attempt to absorb the tax, it could break most, if not all, as their profit margin more than likely cannot take a hit like this. If the service provider passes the tax on to the consumer, this would be in either the form of taking a greater portion of the laundry profit from the property owner, or though raising the coin rates on the equipment. One scenario reduces the likelihood of the laundry equipment staying on the property and reduces the overall appeal of the property, depressing it into low income, sub-par housing and the other put the tax directly on the low and moderate income residents that are struggling to make ends meet in this economy currently.

With the current state of the economy, now is certainly not the time to have these adverse conditions placed on the struggling low and moderate income residents of Kansas, nor the property investors that are seeing all-time lows in their property market values and struggling to make ends meet due to the depressed occupancies, nor the laundry service providers, who's net income is depressed due to the "tightening of the belt" that most Kansans are dealing with. I ask you to seriously consider the position of real estate investors and not pass this bill. Thank you for allowing me to address you today.

Senate Ways & Means Cmte

Date 3-15-2010

Attachment 27

# Highland Residential Management



P.O. Box 1884, Topeka, Kansas 6660  
Telephone 785.272.0965  
Fax 785.272.1706

March 15, 2010

Senator Emler  
Chairman of the Committee

Re: Testimony for Sales Tax Position

The proposal to add an additional tax to the coin operated laundry business should be declined. This tax would have a severe impact on those who can least afford it. My name is Tom Cooney and our company, Highland Residential Management, oversees the operation of 600 apartment units in the Topeka area. In the past two years we have realized a sharp increase in vacancy due to the poor economy. This tax would be paid by the property owner if it cannot be passed on to our customer, the renter. As bad as I feel we have it, our customers (renters) have had an even harder time. In the past two years I have witnessed the hardship that our customers have faced. In the past they would come in and pay rent on the first of each month. Now they often have to make payments each week. I have seen residents have to cash in their retirement fund in order to live day to day. Others have been forced to move in with family and friends, and some end up homeless. This tax would be a terrible burden on those who have already endured the brunt of this recession.

Thank you for your consideration.

A handwritten signature in black ink, appearing to read "Tom Cooney", written over a large, faint circular stamp or watermark.

Tom Cooney  
President

Senate Ways & Means Cmte  
Date 3-15-2010  
Attachment 28

**Tidy****LAUNDRY**

414 WEST KANSAS

1-800-536-6744

McPHERSON, KANSAS 67460

PHONE:

2-26-10

1-620-241-6737

Senator Jay Emler

TO WHOM THIS MAY CONCERN

I am Wilbert Born from Mc Pherson, Kansas and have been here in this same location for 48 years as a coin laundry owner. I see that the State Legislature is considering House bill # 2549 and Senate bill # 476.

If these bills are passed "as is" it will put a sales tax on gross revenue generated from coin laundries. This would be very unfair to me as a laundry owner and even worse for my customers. There is no way I can collect this tax from each customer so the only way for me to pay this so called sales tax is out of my net profit or raise my prices.

In most coin laundries we will have to raise prices by .25¢ increments meaning the customer will have to put in more quarters. Again this seems to be an extreme hardship on the very people, for the most part, who can not afford to have their own machines at home because they do not have enough money to buy them with. This would be a tax on the poorer of the poor who are struggling very hard to keep going.

I believe these bills are far too inclusive and to call this tax on coin laundries a sales tax is poorly understood by our legislatures and that they do not realize that we can not collect this from each individual. They also do not realize that most laundry machines in use today can only be raised in .25¢ increments.

I am totally against this idea of putting sales tax on coin laundries and urge you not to vote for these bills.

As ever

*Wilbert Born*

Wilbert Born

Senate Ways &amp; Means Cmte

Date 3-15-2010Attachment 29

# MO-KAN LAUNDRY ASSN.

11525 BLUE RIDGE BLVD.  
KANSAS CITY MISSOURI 64134

CELL: 816-809-8454 FAX: 816-765-1245  
QUARTER-MAN@ATT.NET

22 February 2010

To: Senate Committee on Senate Bill #476

As a Self-Serve Laundry owner and operator in Ottawa Kansas. I need your support in maintaining the sales tax exemption for self-serve laundries.

This is a BLATANT TAX ON THE POOR! Most of our customers do not have washers and dryers nor do they have the funds to purchase them. This would be a double tax for my business as I already pay sales tax on my equipment, supplies, water, electricity, natural gas, and telephone. Also, I would have to change prices for the most part in 25 cent increments.

To be fair self-serve laundries would need an exemption on sales tax on our utilities if we are going to be taxed on our gross. LET US BE FAIR, HERE.

I think you probably have a washer and dryer at your home as many Kansasns do. So for you to support SB476 I need an exemption for my laundry utilities, and the State would need raise sales tax on all residents utilities, That would include my home and yours. We now have opened up a can of worms?

Let's do the right thing here for all people of Kansas.

Thank You

Richard Martin  
Mrs. Kleen's INC  
148 Megan Lane  
Ottawa, Ks. 66067

Senate Ways & Means Cmte  
Date 3-15-2010  
Attachment 30

# MO-KAN LAUNDRY ASSN.

11525 BLUE RIDGE BLVD.  
KANSAS CITY MISSOURI 64134

CELL: 816-809-8454 FAX: 816-765-1245  
QUARTER-MAN@ATT.NET

23 February 2010

To: Senate Committee on Senate Bill #476

I am writing to you my concern on the above bill. The Mo-Kan Laundry Assn. and myself are aware of the impending legislation in an effort to maintain the exemption of sales tax on self-serve laundries, and their owners.

The primary justivacation for this is that laundries serve mostly poor and fixed income people. It would put more of a hardship on the poor if the sales tax was put into effect. As well as a hardship on the owners to deal with the quarter increment increases.

There are food stamps for the poor, second hand clothing stores, and for housing there is subsidized housing.

If this tax was put into place, laundry owners would have to raise prices or consider closing... therefore putting a hardship on both the poor and small business in Kansas.

Please vote to keep the exemption on self-serve laundries such as it is.

Thank You,

Vern Hull  
Holiday Laundry  
1524 Main  
Winfield, Kansas 67156

Senate Ways & Means Cmte  
Date 3-15-2010  
Attachment 31

# MO-KAN LAUNDRY ASSN.

11525 BLUE RIDGE BLVD.  
KANSAS CITY MISSOURI 64134

CELL: 816-809-8454 FAX: 816-765-1245  
QUARTER-MAN@ATT.NET

19 February 2010

To: Senate Committee on Senate Bill #476

My name is Alvin Babock and co-owner of Laundry Land here in Junction city. I am concerned with the bill that Kansas is considering on self-serve Laundries.

The problem with adding the sales tax to each use of washers and dryers is that most people who can afford washers and dryers buy them and do not ever use laundries. The poorer people of our communities are the people who use it the majority of the time.

If the sales tax is added, we as laundry owners are going to have to raise our prices on those that can not afford to have prices raised on them to clean there clothes.

I am all for increasing sales tax instead of increasing a certain poor tax. A General Sales tax effects everyone. Everyone is paying a fair share not just the poor.

Please us good judgement when considering this bill.

Thank You,

Alvin Babock  
Junction City, Kansas

Senate Ways & Means Cmte

Date 3-15-2010

Attachment 32

**MO-KAN LAUNDRY ASSN.**

11525 BLUE RIDGE BLVD.  
KANSAS CITY MISSOURI 64134

CELL: 816-809-8454 FAX: 816-765-1245  
QUARTER-MAN@ATT.NET

28 February 2010

To: Senators and Representatives,

My name is Danny Lee and I own Tomahawk Laundromat in Shawnee Kansas. I have been informed recently about the Kansas Legislature removing the exemption on Self-Serve Laundries. Please vote no!!!! It will be a bad decision. I pay enough taxes, State, and Federal as it is. I cannot be burdened with anymore tax increase! I pay sales tax already on wash & fold service, all beverages, snacks, equipment purchased and high utilities. Recent economic struggles have put a dent on my business and it would be awful for me to incur any more taxes.

Many of my customers, as well as I am sure other laundromat customers are lower middle class and lower income families. And if this extra sales tax is levied upon us, then we will be forced to raise our prices. And this will undoubtedly put needless expense and strain on my customer's already strained budget. And I will invariably lose customers since they will stop coming and doing all of their clothes or they will cross the state line into Missouri to do their clothes.

I have raised my prices twice in the last 2 years due to high utility cost increases so please do not force me to raise my prices again. Please I urge you to vote no on removing the exemption.

Thank you,

Danny Lee

Senate Ways & Means Cmte

Date 3-15-2010

Attachment 33

**MO-KAN LAUNDRY ASSN.**

11525 BLUE RIDGE BLVD.  
KANSAS CITY MISSOURI 64134

CELL: 816-809-8454 FAX: 816-765-1245  
QUARTER-MAN@ATT.NET

28 February 2010

To: Senators and Representatives concerning Senate Bill 476 & House Bill 2549

I am concerned about the above referenced bills which will impose a sales tax on Self Serve Laundries.

You state on your web site: "Kansas grows best with low taxes, less regulations, a well-educated workforce, and stable Health Care."

If you are sincere with this, you will oppose this bill concerning Self-Serve Laundries. It is a tax on the poor, who can't afford a washer and dryer and must go to a self-serve laundry. Laundries already pay sales taxes on the water, electricity, natural gas, telephone, supplies and etc. You should not charge sales tax on items where sales tax has already been paid. That is why the exemption is there. The poor cannot bear the burden anymore. If the bill is passed as it is written laundry owners will have to raise their prices to compensate for the tax. We can only raise by increments of a quarter which complicates the problem even more raising the prices even more.

In this recession, this cannot be afforded.

Please vote to leave the exemption as it has been.

Thank you,

David Becker  
Vice-President of Laundry in Olathe, Ks.

Senate Ways & Means Cmte  
Date 3-15-2010  
Attachment 34



Since 1894

## TESTIMONY

To: Senate Ways and Means Committee  
Senator Jay Emler, Chairman

From: John Donley, Assistant Counsel, Kansas Livestock Association

Date: March 15, 2010

Re: SB 476 – Elimination of certain sales tax exemptions

*The Kansas Livestock Association (KLA), formed in 1894, is a trade association representing over 5,000 members on legislative and regulatory issues. KLA members are involved in many aspects of the livestock industry, including seed stock, cow-calf and stocker production, cattle feeding, dairy production, grazing land management and diversified farming operations.*

Good afternoon Mr. Chairman and members of the Committee. My name is John Donley, and I serve as Assistant Counsel for the Kansas Livestock Association. I appreciate the opportunity to provide written testimony this morning in opposition to SB 476.

While we recognize the difficulty surrounding the search for a solution for the state's budget situation, we feel that the sales tax exemptions that have been put in place for the agricultural industry are extremely important. Livestock and dairy producers, grain farmers and other "first input" providers in a manufacturing system are price takers, not price setters. Our members have no ability to "pass on" any added expenses, or to "mark up" their product when selling to the next segment of the system. Any additional taxes imposed on our producers become expenses for them to deduct from an already small, or nonexistent, operating margin.

When the Kansas Legislature imposed the first sales tax in 1937, it was clear the tax was meant to be a **retail** tax (collected at the final point of sale), and not to be applied to ingredients or component parts consumed in the production of another product. The law stated the items defined in paragraph (m) "shall be deemed a wholesale sale and shall be exempt from taxation under this act." Unfortunately, many of these clarifying additions to the original wholesale exemptions (including the items mentioned below specifically related to this bill) have been necessary due to governmental interpretations as to what wholesale is and what retail is.

In 2008, Kansas ranked third in the nation in cattle processed (6.5 million head) and third in value of live animals and meat exported to other countries. We have achieved this status, and built a meat packing industry that employs over 18,000 people, because of our ability to add value to beef. To date, Kansas' laws have encouraged this growth; however, any changes to these laws that would put Kansas at a competitive disadvantage to other states and certainly could encourage the migration of this industry away from our state.

Senate Ways & Means Cmte  
Date 3-15-2010  
Attachment 35

Today, beef is marketed as a brand-name product in convenient, ready-to-eat forms. By adding value, beef is able to demand a higher price at the retail level, ultimately recouping a larger amount of consumer tax dollars. Collecting the tax on beef is done much more efficiently at the retail level rather than throughout the production chain.

There are two changes made in SB 476 that raise concerns for livestock and dairy producers throughout the state. First, the occasional transfer of titles of motor vehicles due to changing your business structure should not be a taxable event. In these instances, the ownership is generally staying the same, it is just a planning change in how the business may be structured to do business or for estate planning purposes. The removal of the exceptions in K.S.A. 79-3603(o) on page 14 of the bill would create a situation where such restructuring of a business would be a taxable event when the title to a vehicle is transferred due to such restructuring of the business. As stated above, this should not be a taxable event.

Finally, the changes made to K.S.A. 79-3603(p) and (q) on pages 15 and 16 of SB 476 are drafted in a manner in which they may have an impact on agricultural producers in Kansas. While it appears that the intent is to tax services when repairing residences, the language is drafted in a manner that could be interpreted to apply to the labor services applied to the original construction of a feedyard or other agricultural facility. Specifically, the use of the terms "facility or building" in line 35 on page 16 is concerning. Those terms are not defined in that subsection. The terms are defined in K.S.A. 79-3603(p), but that definition is exclusive to that specific subsection. KLA is strongly opposed to the changes made in subsection (p) and (q) as it could apply to situations regarding necessary maintenance of agricultural facilities for environmental purposes. It is our belief that this should not be a taxable event.

At a time when the agricultural economy of our state is depressed due to market and weather conditions, we urge you to not add another burden to the bottom line of our producers and others involved in any manufacturing business. Thank you for your consideration of our concerns, and we encourage you to oppose SB 476.

**TESTIMONY OF ALLYN O. LOCKNER ON SENATE BILL 476 BEFORE THE SENATE WAYS AND MEANS  
COMMITTEE AT 10:30 AM ON MARCH 15, 2010, IN ROOM 548-S, STATE CAPITOL BUILDING**

The Honorable Jay Emler, Chairperson, and other members of the committee: My name is Allyn O. Lockner. I reside in Topeka, Kansas. My e-mail address is [alockner@cox.net](mailto:alockner@cox.net). I thank you for the opportunity to testify on SB 476.

I am a retired economist and certified public manager. I represent the public on the Kansas Advisory Council on Intergovernmental Relations (KACIR). It recommends enactment of SB 476. I support the recommendation.

The testimony contains two parts: **Part 1: SB 476 - Sales Tax Exemptions and Expenditures** and **Part 2: The Big Picture of Property, Income and Sales Tax Exemptions and Expenditures**. The summary testimony covers **Part 1** only. **Part 2** provides the context for sales tax exemptions and expenditures along with other tax exemptions, tax credits and tax expenditures.

Enactment of SB 476 will achieve three objectives. It will:

1. Reduce sales tax exemptions and thereby reduce the holes in the sales tax base of state, city and county governments in accordance with the widely-accepted principles of tax policy.
2. Reduce sales tax expenditures and thereby reduce the bypassing of the standard budget-appropriated expenditures process of state, city and county governments in accordance with the widely-accepted principles of budget-appropriated expenditures policy.
3. Reduce the shortfall of tax collections in the state general fund for Fiscal Year 2011, assuming the enactment of no more reductions in state general fund budget-appropriated expenditures. The size of the impacts on the general funds of city, county and school district governments is unknown, but impacts likely exist to the extent these governments receive financial assistance from the state general fund.

This concludes the summary. It is supported by **Part 1** and **Part 2**.

**Part 1: SB 476 – Sales Tax Exemptions and Expenditures**

For the State and city and county governments, their total general fund budget-appropriation expenditures must be equal to or less than their total general fund tax collections. One source of tax collections is sales tax collections. With this in mind, let's analyze SB 476.

Total Retail Sales minus Sales Tax Exemptions equals the Sales Tax Base. SB 476 decreases Sales Tax Exemptions and increases the Sales Tax Base. Sales Tax Exemptions are nontaxed sales.

Sales Tax Base multiplied by the Sales Tax Rate equals Sales Tax Collections. SB 476 increases the Sales Tax Base and Sales Tax Collections. Sales Tax Rate for Taxed Sales remains unchanged.

Sales Tax Exemptions multiplied by the Sales Tax Rate equals Sales Tax Expenditures. SB 476 decreases Sales Tax Exemptions and Sales Tax Expenditures.

Sales Tax Expenditures are lost sales tax collections equal to the taxes not paid by holders of numerous sales tax exemptions. The lost Sales Tax Collections are called "Tax Expenditures" because holders of sales tax exemptions receive financial assistance from state, city and county governments by not paying taxes on exempt sales. The monetary values of Sales Tax Expenditures are computed by multiplying the amount of the tax exempt sales by the Sales Tax Rate that would apply to the sales if they were not exempt.

SB 476 aims to accomplish three major objectives. First, it reduces Sales Tax Exemptions. These exemptions are nontaxed sales. By reducing Sales Tax Exemptions, SB 476 strengthens the State, City and County Tax System by broadening the Sales Tax Base and reducing the need to increase the existing Sales Tax Rates on the taxed sales to existing sales taxpayers. SB 476 complies with a principle of taxation, by aiming for a broad tax base and low tax rate rather than a narrow tax base and high tax rate. SB 476 also strengthens the Tax System by improving horizontal tax equity by taxing the sales of like goods and services to persons in like circumstances in a like manner. Also, SB 476 assists school districts to the extent they depend on financial assistance from the State general fund, since the sales tax is a major source of revenue to the fund.

Second, SB 476 reduces Sales Tax Expenditures which bypass the standard State, city and county General Fund Budget-Appropriation Expenditures Process. Under this process, elected state, city and county officials, with support from their professional staffs, review budget-appropriation expenditures for state, city and county goods and services annually. They ascertain whether they are needed and achieving their objectives. If so, officials continue or expand the goods and services. If not, officials reduce or terminate them. Officials do not review and approve or disapprove tax expenditures at all. Once the Legislature enacts statutes establishing sales tax exemptions they continue indefinitely with no review to ascertain whether they are needed and achieving their objectives.

Third, SB 476 reduces the estimated shortfall in the State general fund for Fiscal Year 2011. According to the Division of the Budget's fiscal note for SB 476, dated February 11, 2010, the bill, if enacted, is estimated to produce an additional \$143.6 million in state sales tax collections in Fiscal Year 2011. According to an Associated Press news report, dated March 9, 2010, the revenue shortfall for the State general fund budget-appropriations is estimated to be \$467 million in Fiscal Year 2011. Enactment of SB 476 is estimated to reduce the estimated shortfall by 30.7 percent. I do not know the estimated impacts of SB 476 on city, county and school district governments. However, I believe impacts will exist.

Admittedly, it is difficult for legislators to choose whether to continue, revise or terminate sales tax exemptions. They choose by asking and answering specific questions. To assist legislators in making choices about sales and other tax exemptions and expenditures, KACIR has prepared and shared with all legislators a document entitled Tax-Base Policy Evaluation Guide, September 2009. It aims to assist legislators in answering key questions before they vote on any existing and new tax exemptions, tax credits and tax expenditures.

## Part 2: The Big Picture of Property, Income and Sales Tax Exemptions and Expenditures

Placing SB 476 in context highlights its significance. To discuss the context, please refer to the exhibit below. It shows ten levels of the Kansas State and Local General Fund Finance System. The system contains two parts: the Kansas State and Local Tax (SLT) System and the Kansas State and Local Budget-Appropriation Expenditures (BAE) Process. We begin at Level 1 at the bottom of the exhibit and proceed upward in the exhibit, one level at a time, with each level building on the preceding level, until we reach Level 10.

### KANSAS STATE AND LOCAL GENERAL FUND FINANCE SYSTEM

10.	All state and local general fund services are received by or are available to Kansans. Many of these services strengthen the resources at Level 1.		
9.	State and Local General Fund Budget-Appropriation Expenditures Process (BAE) These expenditures do not include the tax expenditures (TE) explained at Level 8.		
8.	<p style="text-align: center;"><b>Total State and Local General Fund Tax Collections (TTC)</b></p> <p><b>These collections are minus the tax collections lost due to the tax exemptions at Level 4 and tax credits (including economic development incentive programs involving the use of employer withholding taxes). (Tax credits are not shown in the exhibit.) Lost collections are equal to the taxes not paid by holders of numerous tax exemptions and tax credits for a variety of purposes. The lost tax collections are called "tax expenditures" (TE) because holders of exemptions and credits receive financial assistance from government by <u>not</u> paying taxes on exempt property, income or sales, or by receiving tax credits. Tax expenditures are computed by multiplying the value of the tax exemption by the tax rate. They bypass the standard State and Local General Fund Budget-Appropriation Expenditures Process (BAE) at Level 9. Level 4 is a key weakness of the Kansas State and Local General Fund Finance System. SB 472, SB 476, HB 2549 and HB 2550 aim to abolish certain existing income tax exemptions and credits and certain existing sales tax exemptions, thereby strengthening the Kansas State and Local Tax (SLT) System. These bills also aim to reduce existing tax expenditures which bypass the Kansas State and Local General Fund Budget-Appropriation Expenditures Process.</b></p>		
7.	Property Tax Collections from Kansans (Level 6 times Level 5)	Income Tax Collections from Kansans (Level 6 times Level 5)	Sales Tax Collections from Kansans (Level 6 times Level 5)
6.	Property Tax Rates (PTR) (Mill Levies)	Income Tax Rates (ITR)	Sales Tax Rates (STR)
5.	Taxable Property Values: Property Tax Base (PTB) (Level 3 minus Level 4)	Taxable Incomes: Income Tax Base (ITB) (Level 3 minus Level 4)	Taxable Sales: Sales Tax Base (STB) (Level 3 minus Level 4)
4.	<b>Property Tax Exemptions (PTE) Statutorily, they are nontaxable properties, erode the property tax base, and weaken the system.</b>	<b>Income Tax Exemptions (ITE) Statutorily, they are nontaxable incomes, erode the income tax base, and weaken the system.</b>	<b>Sales Tax Exemptions (STE) Statutorily, they are nontaxable sales, erode the sales tax base, and weaken the system</b>
3.	All Property (Assets)	All Incomes	All Sales
2.	Performance of Kansas State and Local Economies		
1.	Foundation of the Kansas State and Local Economies: Kansas Risk-Takers Develop or Obtain and Mobilize Private and Public Natural, Human, Capital, Technology, Information and Financial Resources in their Communities to Produce and Sell Kansas Goods and Services in Competitive Local, National and International Markets		

The **Level 4** and **Level 8** highlight those parts of the Kansas State and Local General Fund Finance System that are affected by the tax exemptions and tax credits. SB 472, SB 476, HB 2549 and HB 2550 have implications for state and local governments to the extent of their reliance on property, income and sales tax revenues to fund their general fund budget-appropriation expenditures (BAE). The reliance is summarized as follows:

- For the General Fund of Kansas state government, BAE must be equal to or less than total tax collections (TTC), in accordance with the Kansas Constitution. Kansas state government collects income taxes which are computed by multiplying the state income tax rate times the state income tax base, minus tax credits to finance its general fund BAE. It also collects sales taxes which are computed by multiplying the state sales tax rate times the state sales tax base to also finance its general fund BAE. Therefore, tax credits reduce income tax collections and sales tax exemptions erode the state sales tax base, increase state tax expenditures, and weaken the state financial system.
- City, county and school district governments collect property taxes, which are computed by multiplying local property tax rate times the local property tax base, to finance their general fund BAE. Therefore, property tax exemptions erode the property tax bases and increase the local property tax expenditures of these local governments.
- Many city and county governments collect sales taxes, which are based on the local sales tax base times the local sales tax rate, to finance their general fund BAE. Therefore, sales tax exemptions erode their sales tax base, increase local sales tax expenditures and weaken their local financial systems.
- Although no local governments collect income taxes, they may be affected by state income tax exemptions and tax credits. This would occur when they receive through state financial assistance reduced revenue from state general fund BAE to help finance their local general fund BAE.

In summary, when the Legislature approves new tax exemptions it not only affects the tax base of state government; it also affects the tax bases of local governments. New tax credits affect state government, and may affect local governments.

By enacting SB 472 and SB 476 or HB 2549 and HB 2550, the Legislature would achieve the following objectives.

- To reduce existing STE and ITE at **Level 4** so as to partly restore the capacity of the Kansas State and Local Tax (SLT) System to generate tax collections so that  $TTC = BAE$ , thereby avoiding or at least minimizing an increase in ITR and/or STR on Level 6, and while at the same time maintaining BAE. The Senate and House also control new tax credits.
- To bring the SLT System into better alignment with the principles of state and local taxation and with the modern and changing attributes and challenges of the Kansas state and local economies.
- To reduce existing STE and ITE at **Level 4** as a way for holders of the exemptions to obtain state and local financial assistance by avoiding the Legislature's annual scrutiny and justification of the assistance required by the conventional state and local BAE. The Legislature also reduces existing tax credits as a way to avoid BAE.
- To enhance the role and integrity of the annual state and local BAE as the way to allocate limited TTC among alternative competing purposes and functions at the state and local levels of Kansas government.

These are worthwhile objectives. Their achievement will strengthen the Kansas State and Local General Fund Financial System.



# kansas municipal utilities

*Written Testimony Submitted to the*

**Senate Ways & Means Committee**

March 15, 2010

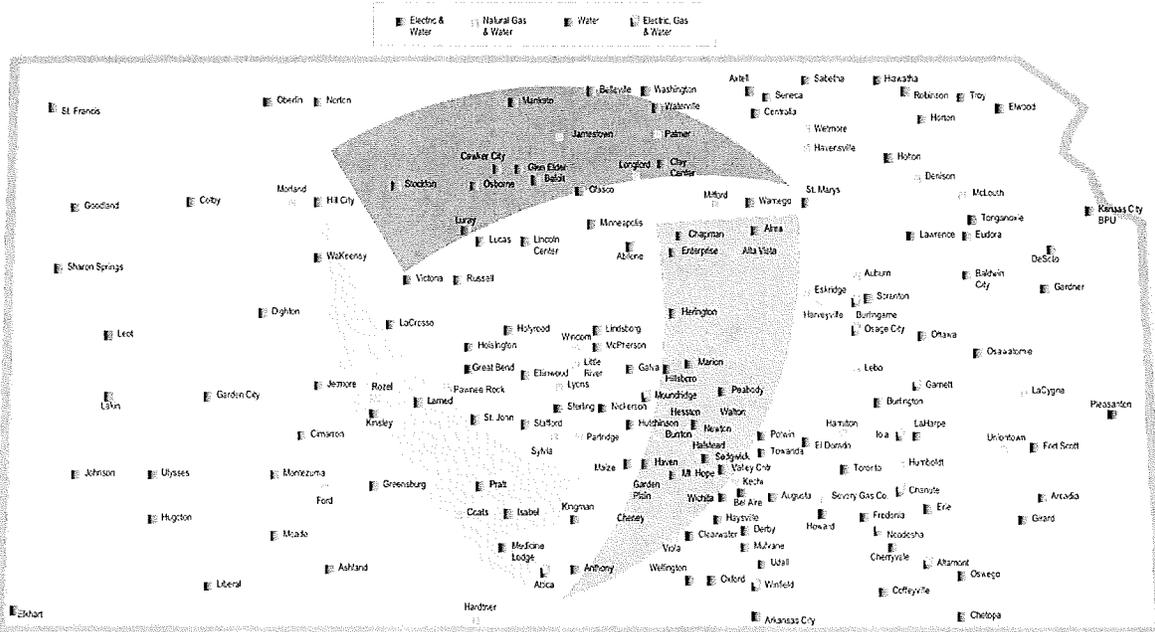
*Colin Hansen, Executive Director  
Kansas Municipal Utilities*

## SB 476

Chairman Emler and Members of the Committee:

On behalf of Kansas Municipal Utilities (KMU), I appreciate the opportunity to provide written testimony to the committee regarding Senate Bill 476, particularly as it relates to the sales tax provisions on residential utility and water services.

Formed in 1928, Kansas Municipal Utilities (KMU) is the statewide association that represents the interests of 175 municipal electric, natural gas, water and wastewater utilities across the state. Our membership ranges in size from some of the largest utilities in the state, such as those operated by Kansas City BPU and the City of Wichita, down to some of the smallest systems in the state, some serving fewer than 100 customers.



Senate Ways & Means Cmte  
Date 3-15-2010  
Attachment 37

KMU and its member utilities fully understand the financial difficulty currently being experienced by the State during this challenging economic downturn. However, those same difficulties are also being experienced at the local level directly impacting our residents and customers. We believe that given the current difficulties being experienced by residential utility customers, the Kansas Legislature needs to look at all other potential revenue sources before repealing the current state sales tax exemption on residential utility service.

At a time when virtually all utilities - electric, natural gas, water and wastewater - are experiencing rapidly increasing costs that have to be passed on to residents and customers, we do not believe that it is appropriate to add the additional state sales tax burden on these essential utility services. Many municipal utilities are experiencing increasing delinquency rates and greater numbers of their customers are having to make extremely difficult decisions about which of their monthly bills will be paid. We want to do all that we can to help our residential customers control the costs associated with their utility bills. Any effort to apply state sales tax to utility services makes it that much more difficult for utilities to aid in that effort.

On behalf of the residential customers of municipal utility systems in Kansas, we would ask the Committee to retain the current sales tax exemption status on residential utility services.

Thank you for the opportunity to present this testimony and for your consideration.

Water District No. 1 of Johnson County

**To: Members of the Senate Ways and Means Committee**

**From: Darci Meese, Government Affairs Coordinator  
Water District No. 1 Johnson County (WaterOne)**

**Date: March 15<sup>th</sup>, 2010**

**RE: Testimony in Opposition to Senate Bill 476**

---

On behalf of WaterOne, I am here today to testify in opposition to Senate Bill 476 to the extent that it would impose sales tax upon residential water bills.

Admittedly, the impact of 476 upon the utility is minor and administrative in nature. The tax rates will be a line item on each customer's water bill, just as commercial accounts are treated now. The average residential water bill in WaterOne service territory is approximately \$32.00 per month. Some customers will likely contact the utility to question the increase on the bill, but it is easily explained as a state or local tax the utility is mandated by the Legislature to collect.

The primary concern with 476 is obvious and certainly will be considered by this Committee--this is a tax upon an essential product and service. **During this struggling economy, the Kansas Legislature should look elsewhere to raise revenue and not consider increasing costs to the average resident on the necessities of daily life.**

Darci Meese, Government Affairs Coordinator  
Water District No. 1 of Johnson County, Kansas  
913-895-5516 direct  
913-579-9817 cell [dmeese@waterone.org](mailto:dmeese@waterone.org)

Senate Ways & Means Cmte  
Date 3-15-2010  
Attachment 38



Midway Baptist Church

5135 S Broadway

Wichita, KS 67216

To Chairman Jay Emler of the Kansas Senate Ways and Means Committee and committee members

Re: SB476

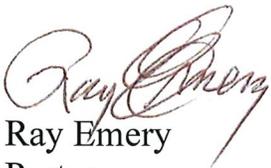
I am writing to urge your rejection of SB476..

Our church is deeply involved in meeting the needs of our community through several ministries like our Cottage Grove Baptist Good Neighbor Center in the Oaklawn area of Wichita. We have provided food and clothing to low income families, at no charge, for many years. We also operate a half-way house for men coming out of the Wichita Work Release Facility. In addition to these ministries we run a program for addicted persons called Celebrate Recovery which serves up to 40 families; as well as a daycare program that serves up to 100 children, 2/3 of which are low income families. Midway Baptist Church also has a vital ministry to over 30 special need adults. These ministries use no public money.

When times are hard and church income is down we have no way to increase income, so we have to sacrifice and manage every dollar very well to continue to meet the needs of our community. Because we believe in showing the love of God to our community through these ministries we have made the necessary sacrifices to continue these ministries. However, if we have to pay sales tax on everything we buy, the result, *without a doubt*, will be cutting services to our community. Because we operate on the leanest budget possible, as do most non profit organizations, the result of removing the sales tax exemption will be; *hundreds of families in Kansas will lose vital support that will not be provided otherwise.*

Please do not support this devastating legislation.

Sincerely,



Ray Emery  
Pastor

Senate Ways & Means Cmte

Date 3-15-2010

Attachment 39

To: Chairman Jay Emler of the Senate Ways and Means Committee and committee members:

Every couple of years throughout the United States of America, under the disguise of raising tax dollars for a state or nation, the non-profit community is attacked by people who have forgotten that the non-profit community is one of the pillars of not only the economy of the United States but for the people.

I am the Founder and Executive Director of The MasterClass, a 501(c)(3) under the Congressional District Programs. We offer master classes and workshops to high school and college-aged visual and performing artists. We bring in professional artists from all over the United States to come to our event each year to share their talents, love of youth and of their art form. Our non-profit status does save us tax dollars, I readily admit, but one should not forget the economic impact this event and others like it have on the great State of Kansas and the United States of America.

Our overhead includes housing, feeding, transportation and purchase of supplies for not only the students participating but also our faculty and staff.

**SB476** may have been written with the belief that "we can get millions of dollars for the state treasury and save our schools" but from past discussions I doubt it as the primary objective. From my experience, it has always been an attack on religious based organizations. The reasoning of raising tax money is a distant second place.

I am sorry that once again this has come up for debate. There is no debate, discussion yes, debate no. We want to encourage the organizations that assist us; especially those who do not depend on a government structure to meet needs not discourage, hinder or stop.

Thank you for your commitment to retain the sales tax exemption for the non-profit communities of Kansas and those of the United States of America.

Sincerely,

John Freeman—Founder, Executive Director The MasterClass

39-2

To: Chairman Jay Emler of the Senate Ways and Means Committee and committee members:

It has been brought to my attention that there is a bill (SB476) that is trying to repeal the exemption for tax free status for churches in Kansas. I am so disappointed to hear this. At a time when there is so much strife in our country with our men and women serving valiantly at war, budget woes, schools having funding cut; I think that this is a time that the churches can REALLY help out. But, if we have to start paying taxes on everything that comes in that makes the outreach work that we do possible, then that outreach will be severely curtailed if not eliminated in some situations.

God has given us the responsibility to reach out to our fellow citizens in our own communities, around our state, our nation and our country. That is how we use our money that we raise in our small church. I have been active in Lebo Baptist Church for many years serving as Sunday School Director, Sunday School Teacher, Deacon, Bible School Director and teacher, and have been a member of two Pastoral Search committees. I have seen the need first hand for outreach and never more than in the past year. In 2008, our church filled and handed out eight boxes of food to needy families right here in our own community. In 2009, that number escalated to twenty-six! The economy, as I know all of you are aware, has hit the small communities very hard, as it has everywhere. As a church we have started a food pantry also in the past year for anyone in our local zip code that feels the need for assistance. In our first mission offering of the year, we gathered an offering of approximately \$350.00 for World Mission Offering. Last year, for all of the four yearly mission offerings, we sadly collected only \$9. We have been urging our fellow church members to look beyond themselves and consider others less fortunate. They have responded in a very heartfelt way. If we have to begin paying taxes on these contributions and others, then our work will be severely limited at the best. I urge you and the committee to remove the part of the Bill No. 2549 that would repeal tax protection for churches and nonprofit groups. I will be praying for all of you that God will show you the direction to take on this important issue. May God continue to bless each and everyone of you. In Christ's love, Leanna Thomas, Lebo Baptist Church,

Leanna Thomas  
122 E. Dickinson St.  
Lebo, KS 66856

Phone:(620) 256-6067 email: [leannalovesterry@live.com](mailto:leannalovesterry@live.com)

Lebo Baptist Church  
420 N. Maple  
Lebo, KS 66856

To: Chairman Jay Emler of the Senate Ways and Means Committee and committee members:

As a Kansas taxpayer, I appreciate that you are studying ways to repair the budget shortfall for the coming year. However, I would ask that you continue to support churches and religious organizations by not repealing their sales tax exemption (#SB476).

We have lived in Kansas for 16 years, and find it to be hospitable to faith ministries. I teach at a private Christian school, and appreciate the ruling to allow academic and athletic competition with private and public schools. It benefits the state to encourage the endeavors of all citizens. I believe we can work together for the good of all.

Churches and religious organizations benefit the state in many ways. After the Greenburg tornado, Baptist relief ministries were quickly on site to feed and aid in recovery efforts. Faith based communities host daycare and after-school ministries, run crisis-pregnancy centers, care for the homeless, build housing for the poor, sponsor medical clinics, feed the hungry, and do gratis counseling to preserve families and marriages that are broken. Our motivation is to "share a cup of cold water in the name of Jesus", not recognition by men. However, the state benefits from this volunteer work by religious organizations. The sales tax exemption allows us to work for the good of all citizens, to spend the dollars that we are given wisely. I know that you desire to spend the dollars you are given wisely also, but it would be counter-productive to diminish the ability of churches to minister to the citizenry.

Thanks for your work on the behalf of the government of Kansas. Please know that you are in our prayers.

Sincerely,  
Martha Couric  
2301 Persimmon Circle  
Olathe, Kansas 66061  
913-909-3583

39-4

To: Chairman Jay Emler of the Senate Ways and Means Committee and committee members:

I would request that your committee not place additional burdens on small churches in Kansas by not allowing them to exempt purchases from the payment of Kansas sales tax. Many small churches are having trouble making ends meet, and this would place an additional burden on them.

In particular, it is my understanding that the state is considering the possibility of placing churches back on the property tax rolls for the purpose of paying real estate taxes. This would be a tremendous expense which would undoubtedly force many churches to close.

Please do not allow this to take place.

Thank you for your time and consideration.

Sincerely,

Dorcas Romary  
[d.romary@sbcglobal.net](mailto:d.romary@sbcglobal.net)

39-5

To: Chairman Jay Emler of the Senate Ways and Means Committee and committee members:

I certainly appreciate the difficulties that you, as our representatives, are dealing in with in regard to out state budget. I understand that this is a difficult time not only for our state governments, but our counties, cities and especially our federal government. The economic impact has been felt at every level and in almost every home. While I understand the need to raise money, I respectfully ask that your committee not recommend SB476. While I am not opposed to every part of this bill, I do oppose our churches and religious organizations losing sales tax exemption. While it appears that the government would gain tax revenue, it would also hurt the communities that our churches serve. Many of the dollars that now go to provide food, clothing, utility assistance, and other needed help, would be spent in sales tax revenue. If the churches and religious organizations do not have the money to give to help others, where is it going to come from? Possibly another government agency would have to fulfill that need. Therefore the government would have greater cost related to assisting those in need, or the people would have to do without.

I appreciate your service and pray that you will be wise in your decision-making and thank you for considering my request.

Thank you,

Pastor Don Andrews  
Haven Baptist Church  
3430 Hutton Rd  
Kansas City, KS 66109  
(913) 299-3706

The logo for the Southern Baptist Association Heart of Kansas. It features a stylized heart shape on the left, composed of two overlapping golden arches. To the right of the heart, the text "SOUTHERN BAPTIST ASSOCIATION" is written in a smaller, black, serif font. Below this, the words "HEART OF KANSAS" are written in a large, bold, black, serif font. A decorative element of a wheat stalk with a sheaf of wheat is positioned above the letter "A" in "KANSAS".

SOUTHERN BAPTIST ASSOCIATION  
**HEART OF KANSAS**

February 16, 2010

To: Chairman Jay Emler, Senate Ways and Means Committee, and committee members.

Re: SB476

I am writing to urge you to reject the portion of this bill which would remove the exemption from sales taxes on churches in Kansas.

I work with the over fifty churches of the Heart of Kansas Southern Baptist Association in the Wichita/Hutchinson area of Kansas.

Our churches are already living under difficult financial burdens. As church members have become unemployed in this recession, the income to their churches suffers as well. Many of the churches in our association are feeling the strain of a difficult economy, and yet are doing their best to offer ministry to those in need.

Churches always live with financial struggle because their mission is never to make or accumulate money. Their mission is to give away all that they can to show the love of God to those in need. The churches in your home towns give freely to help the people of your town. This may look like feeding the poor, or helping those suffering through grief or marriage struggles. This may look like programs for your children or teenagers, or addiction recovery ministries. When we take money from these programs, do we think that it will not cost us more later down the road?

I know that your decisions are difficult and funds are tight for our state. But I want to urge you to reject the taxation of churches as a solution to this problem.

Sincerely,

R. Glenn Davis, Director of Missions  
Heart of Kansas Southern Baptist Association  
3474 S Meridian  
Wichita, KS 67217  
316-943-3446

39-7

True Vine Missionary Baptist Church  
307 SE Tefft Street  
Topeka, Kansas 66607  
Rev. Larry Jones, Sr., Pastor  
(785) 235-8442

To: Chairman Jay Emler, Kansas Senate Ways and Means  
Committee and committee members  
Fr: Rev. Larry J. Jones, Sr., Pastor

RE: Bill #SB476

As the leader of a small church it would be an disadvantage for us to lose the sales tax exemption. Our funds are low as it is and we are struggling to help our community and others outside our community. It would be damaging to the community as a whole if we can not be of some service to them.

We are not opposed to the whole bill just the part that is related to Kansas Churches and religious organizations. Not all churches receive millions of dollars to support their outreach to the community.

Prayerfully submitted,

Rev. Larry J. Jones, Sr., Pastor

39-8

To: Chairman Jay Emler of the Kansas Senate Ways and Means Committee and committee members

Re: SB476

Dear Chairman Carlson and committee members,

I am writing to express my opposition to the portion of SB476 that would remove the sales tax exemption from religious organizations.

For centuries, Americans have recognized that religious organizations promote a quality of life that cannot be engendered by any other organization. Religious organizations help build stable marriages and grow strong families. They promote public civility and moral clarity. They teach a work ethic, charity, compassion, mercy, honesty, kindness, peace and love. They minister to the poor and homeless. Governmental entities are unable and unequipped to inculcate these moral values and character qualities in our citizenry. They are unable to motivate our citizenry to good deeds. Only religious organizations have been successful in such inculcation and motivation.

Historically, our government has possessed the wisdom to recognize the immeasurable value of religious institutions to our society. Recognizing such, tax policies and laws beginning with the Bill of Rights all the way to today's tax exemptions exist to propagate and promote the fiscal health of these organizations. This has helped these organizations freely operate and grow which has resulted in a quality of life that has helped us become second to none.

Sadly, in recent years this wisdom is being replaced by a belief that government can meet all of our needs. It cannot. Men and women have spiritual needs that can only be met by spiritual organizations. Government can no more replace religious organizations than religious organizations can replace government.

Repealing this exemption will restrict these organizations in their ability to inculcate these values and to motivate people to good deeds. Many of these organizations, especially outstate are small. Their budgets are very tight. Not only will some be severely restricted, others may have to close their doors.

Further, the power to tax is the power to control. Removing the sales tax exemption starts a slippery slope starts the process of government's authority to restrict and eventually control religious institutions. This has happened repeatedly throughout human history. America has been great in part because the church has not been restricted by government.

Repealing this exemption is a move that will not benefit the government nor the people the government is supposed to serve. Kansas Lottery tickets are exempt from sales tax. That would be a much more appropriate place to start.

Thank you for your consideration.

Mike Bronson  
496 13<sup>th</sup> Ter  
Tonganoxie, KS 66086  
(913) 439-9184

February 11, 2010

RE: SB476

TO: Chairman Jay Emler of the Kansas Senate Ways and Means Committee and committee members

I serve as the pastor of a small church in Salina, Kansas and I'm writing to express my concern regarding the provision of Senate Bill SB476 which would rescind the state sales tax exemption provided to religious organizations like ours. While I understand the serious need to generate revenue to meet the needs of our state, I'm concerned that this provision would cause serious harm to many of the services provided by religious organizations which will increase the demands placed on the state agencies which provide similar services, without generating enough additional funding to significantly impact the state budget shortfall.

If this provision of SB476 had been in place during fiscal year 2009, our church would have been required to pay approximately \$3,300 in state taxes. That would have required a corresponding reduction in the funding of ministry efforts we are engaged in and would likely have resulted in the elimination of our Food Pantry ministry, which consumed \$2,880 of our budget. We would also have been forced to reduce the amount we contribute each year to the Salina Rescue Mission and the local Emergency Aid Food Bank. The end result would have been that multiple families and individuals would have been forced to find food elsewhere, but the resources for other helping agencies (like the Food Bank) would be trying to provide services with resources that have been reduced because the ministry dollars formerly sent to them are now being sent to the state of Kansas to pay sales tax. While the Salina Rescue Mission does not use state funds, homeless men would likely be denied services because local churches (which comprise a significant source of funding for the Mission) were spending money to meet tax obligations rather than Mission support. Those homeless men and hungry families will almost certainly seek aid from state funded agencies, so it seems to me that removing the state sales tax exemption from religious organizations really is a case of "robbing Peter to pay Paul".

If the figures I've seen quoted in the media are accurate, the tax revenue generated by the repeal of the religious sales tax exemption would have minimal impact on the total deficit. The recommendation provided by the KACIR estimated that the repeal of the religious sales tax exemption would generate \$18.59 million in FY2011 (found in the KCIR recommendation.pdf on the ksrevenue website). In Governor Parkinson's State of the State address, he described a budget shortfall of \$400 million. Therefore, the recommended repeal of the sales tax exemption for religious organizations would generate less than 5% of the revenue required to balance the budget, but I suspect it will place a more than 5% increased demand on state services as ministries are eliminated or curtailed as ministry dollars are reallocated to satisfy tax obligations.

I don't envy your and the other legislators' task of trying to adequately fund our state services, but I don't see any real solution in limiting ministry services with a resultant increase in the demand on state services.

Thank you for your time and thank you especially for your willingness to serve our great state!

Respectfully,

*Kirk H. Stricker*

Pastor Kirk H. Stricker  
Bel Air Baptist Church  
Salina, KS 67401

39-10

# Kansas Nebraska Convention of Southern Baptists

5410 SW 7<sup>th</sup> Street  
Topeka, Kansas 66606  
Phone: 785-228-6800  
E-Mail: tboyd@knscsb.org  
Web: www.knscsb.org

To: Chairman Jay Emler, Kansas Senate Ways and Means Committee, and Members  
Re: Senate Bill 476

As Christians, we value the role of government in bringing stability to society and providing an atmosphere where we can freely worship and do the ministries that we have been called to do.

You may not be aware that most of the churches in Kansas carry on extensive ministries, which benefit our society in multiple ways. Let me allude to a few of those:

**Disaster Relief**—Southern Baptists in Kansas have carried on extensive relief work in the face of tornadoes, flooding, and other disasters over the past few years. We have an active feeding unit along with recovery units and support units such as portable shower units, which benefit both victims of disaster as well as those who volunteer to help.

**Community Ministry**—We provide clothing, food, monetary assistance, and a variety of other items, which help those who are down and out in our cities and rural areas. We work in conjunction with agencies like the Red Cross, Salvation Army, and various local community centers or missions.

**Addiction Ministries**—Many of our churches offer ministries, which deal with various addictions including alcohol, drugs, gambling, and pornography. All of these supplement services, which are offered by the government.

**Family Ministries**—Many of our churches provide valuable services to families. We provide marriage enrichment seminars to help maintain healthy marriages. We provide children's and youth camps to help our future generations to grow up healthy and well adjusted. We sponsor financial freedom seminars to help families deal with the effects of overwhelming debt. We participate in various community youth programs. Many churches provide after school programs for children whose parents are working when the children are released from school.

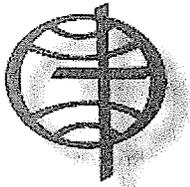
**Webster Conference Center**—Our denomination runs this center near Salina which hosts youth and children's camps. The Kansas State Wildlife Department has used this facility. Sunflower Bank and School Districts have used this facility as well. The center was also used as a feeding site during a disaster situation a few years ago and stands ready to assist even now. Other denominational groups operate camps and conference centers throughout Kansas, which provide similar services.

In short, Southern Baptist churches as well as other churches provide great value to our state. The elimination of the sales tax exemption will limit our ability to provide these ministries, which, in many cases, are directed to the poorest in society. We are also very family friendly in an era when family life is deteriorating.

We consider ourselves as valuable partners in bringing hope to the hopeless and strength to those who need strength. Please do not hurt our ability to help those around us. We urge you to maintain the sales tax exemption for religious groups.

**Bob Mills, Executive Director of the Kansas Nebraska Convention of Southern Baptists.**  
**Tim Boyd, Director of Communications of the Kansas Nebraska Convention of Southern Baptists**

39-11



# American Baptist Churches of the Central Region

5833 S.W., 29<sup>th</sup> St., Suite A, Topeka, Kansas 66614-5500  
Phone: 785-272-7622 Fax: 785-272-5860

March 11, 2010

To Chairman Jay Emler of the Ways and Means Committee and Honorable Committee Members:

As you receive testimony with regard to Senate Bill No. 476, I would urge you NOT to rescind the sales tax exemption now given to Kansas churches and religious not-for-profit organizations. I serve as the Executive Minister for the American Baptist Churches of the Central Region, an association of some 230 American Baptist congregations. We also have direct sponsorship of a not-for-profit community center in Kansas City, KS. Many of our churches are engaged in critical social ministries. A number of our churches operate food pantry and clothing ministries for homeless and low income people in the community. Some of our churches provide classes on personal financial management for families struggling with the stresses of an economic environment they are little prepared to manage. We have churches providing low cost day care; after school enrichment programs; senior services; shelter for homeless families and a number of other significant ministries that address the social and economic needs of some of our state's most desperate residents. Our community center in Kansas City provides food and health services for inner city poor. It provides meaningful programming for children, youth and senior adults. It works in helping refugees integrate into a foreign culture to become valuable and contributing members of the community.

All of this is to say that our churches and community ministries provide an incredible array of resources and help, at little or no cost, to those in our communities who need them most and can afford them least. Without the benefit of a sales tax exemption many of these ministries would cease to exist or at least be cut back to extremely low levels of impact. At a time when state budget shortfalls require a reduction in state-offered services to the poor and needy of our communities, it would be devastating to enact legislation that would undermine the efforts of the religious community in Kansas to tend to the needs of the poor as well.

I urge you, please do not undervalue the service given to the citizens of Kansas by the churches in our communities. Please do not allow the removal of sales tax exemption for churches and religious not-for-profit organizations. Please do not further burden the poor and needy of our society who will surely suffer if churches are no longer able to help in significant ways.

Thank you for your consideration of this testimony and request.

Sincerely,

Rev. John S. Williams,  
Executive Minister,  
American Baptist Churches of the Central Region

---

Growing Healthy Churches to Fulfill Christ's Mission

Rev. John S. Williams, Executive Minister  
Cell Phone: 785/764-6881  
Email: [john.williams@abccr.org](mailto:john.williams@abccr.org)

39-12

Churches and para-church organizations, Stress good citizenship in our cities, states and country, Stand for good living, Stand for morality, Teach and stress being good neighbors, helping people in need, Provide compassionate ministries, Support food pantries, Support rescue missions, Support prison ministries enabling many to fit in and lead good productive lives when released, Support services for unwed mothers, Provide counseling services for people in need, Visit the sick, Visit the elderly, Have classes and seminars on marriage and promote good homes, Have classes and camps for youth and teens promoting good living and good citizenship.

Have "mother's day out" child care for homebound mothers, Sponsor ESL classes for aliens so they can blend in and make better citizens, Provide good books and courses on caring for the needy, and people with special needs, Provide vacation Bible schools and summer camps for children and youth that provide the participants the opportunity to make new friends with others from various cultures, backgrounds and social statuses thus helping to alleviate bigotry and racism and encouraging the children and youth to get along and work together in harmony, Provide scouting type programs that stress good citizenship, good character, honesty, harmony in the home, teaching skills and familiarizing participants with various crafts and trades, Stress helping people around the world in times of crisis and catastrophe and providing the vehicle and program with which to help, Provide programs to help underprivileged children in other countries with necessities and education.

Provide programs to help the hungry, to provide medical supplies and equipment, provide Medical doctors and nurses and build hospitals to minister to the needs of underprivileged people, Provide facilities to minister to the needs of AIDS/HIV victims and support programs for the families affected by AIDS/HIV, Provide orphanages in other lands for the homeless children, Provide training in self care and hygiene and crafts and trades for youth so they can lead productive lives and be good citizens, Bring some young people with potential to the USA for an education so they can go back to their countries and be good leaders, Have programs whereby people from local churches volunteer to go around the world using their skills to build buildings, provide sanitation systems, and provide systems to produce clean pure water thus cutting down on disease caused by dirty water, People in churches in our state are working every week to alleviate pain and suffering locally and around the world.

I would say that there are few organizations that provide the services locally and around the world that churches and church organizations provide as economically and efficiently as the church does. I realize that when setting budgets, allocating resources and generating those resources it is easy to cut many thousands of dollars from many areas without considering the devastation caused for many lives by those cuts. It would be a great travesty to take resources from churches thus curtailing much help and services provided to needy and destitute people, and that is a lot of what government is supposed to be all about. To protect the constituency and provide relief and help for those who can't help themselves.

There is an old saying, "Give a man a fish and he will not be hungry today, teach him to fish and he will never be hungry." Talking about a problem and throwing money at it does not take care of it and it never has, this has been tried too many times. Government, large corporations and wealthy people often throw large sums of money at a problem, but without dedicated upright moral people at the grassroots giving their lives and moving to where the problem is and pouring out their lives to help the trampled, destitute, needy and neglected people, nothing really happens. Much of the resources get lost in the system without dedicated people giving their lives to help others in need. And that is where churches and para-church organizations come in to play.

Our churches work around the world, in our country and in our state of Kansas stressing and teaching people to have good solid homes, be good citizens, respect others even though they are different from us. Personal lives and homes are the building blocks to all that is good and all that we desire in a nation. Good solid lives, good solid homes produce good solid communities, states, and countries. Other states and other countries have a great effect on us in Kansas.

The less we do, the more it affects us. The less resources that we are left with; the less we can do, and it affects us all. All these things are hidden from the budgets and balance sheets but they are there and they are very real and they affect all Kansans.

Please give due and diligent consideration to not repealing the tax exemption status for churches and church organizations.

Sincerely, with the best interests of Kansas at heart;

Cecil Moon, 215 Kennebec, Burlington, KS, a Kansas resident since 1966 after serving my country at home and abroad for eight years.

39-13

To Chairman Jay Emler, Senate Ways and Means Committee and committee members,

I am writing in regard to your senate bill, SB476.

To the best of my knowledge the passage of this bill would significantly and negatively impact the ministries and work of my church in the community of Lawrence Kansas & Douglas County.

Currently we offer all of our ministries to the members of the church I serve as well as to the general public.

Just a few of our community wide ministries include a food pantry, benevolence gifts that go to pay for emergency aid for rent, utilities and even medical assistance and religious education offered free of charge.

By removing the tax exemption for non-profits and charities we will be unable to do as much as we are currently doing to reach out and help people with serious needs during this time of economic difficulty and so I am writing to ask that this bill be refused by the Kansas senate, it would allow us as a church to help meet daily needs of the individuals, families and children who are helped by the ministries of my church.

Respectively yours,

Gary T. O'Flannagan, pastor Cornerstone Southern Baptist Church, 802 West 22<sup>nd</sup> Terrace, Lawrence Kansas 66046, 785-843-0442

39-14



258 Park Road • Garnett, Kansas 66032

785-448-3208

www.garnettnazarene.org

*"To Know, Grow In, & Share Christ"*

**Phil  
Rhoades**

Senior Pastor

15 Links Drive  
Garnett, KS 66032  
785-448-5758

prhoades@garnettnazarene.org

**Aaron  
Tiffany**

Youth Pastor

121 W. 2nd  
Garnett, KS 66032  
913-963-7272

atiffany@garnettnazarene.org

**Stacie  
Gulley**

Children's Pastor

608 12th Street  
Osawatomie, KS 66064  
913-294-9336

staciereneegulley@yahoo.com

**Rhonda  
Rhoades**

Worship Coordinator

15 Links Drive  
Garnett, KS 66032  
785-448-5758

rrhoades@garnettnazarene.org

February 19, 2010

Re: senate bill (SB476)

Chairman Jay Emler, Senate Committee on Ways and Means, and committee members,

We are deeply appreciative of the reality that we have been allowed to be exempt from the taxes that others have been asked to participate in.

It has allowed several churches to stay open, because they could not pay the ordinary tax obligations and keep their doors open. For the larger churches, it has allowed them to build and hire staff that would ordinarily never have occurred had they had the regular tax regulations placed upon them.

We understand these are difficult days. Many churches are struggling to maintain their ministry to their communities because of the lack of funds given to them by their faithful attendees. Many have lost their jobs, had their hours cut back, and some have closed their businesses. All of this, you are already aware of because of the high responsibility you carry as publically elected officials.

We simply ask you to continue the mandate given to all of us in Ezra 7:24.

*We also inform you that it is not allowed to impose tax, tribute a toll on any of the priests, Levites, singers, door keepers, Nethinim or servants of this house of God.*

We strongly believe that God will honor those who honor Him.

Thank you for the opportunity to represent our people in this important matter.

In His Service,

Rev. Phil Rhoades

Luke 19:10

*"For the Son of Man came to seek and to save what was lost."*

39-15

Dr. Richard L. Nelson  
Sunnyside Baptist Church  
2618 E. Morris  
Wichita, KS 67211

To Chairman Jay Emler of the Ways and Means Committee and committee members: Matter of concern - Senate Bill No. 476

Few, if any persons, living in the state of Kansas these days are not aware of the financial crisis our state, and for that matter the United States is in. It must be a very difficult task as a legislator to find the monies to fund programs meeting the needs of the citizens of Kansas. I am confident that there are only so many sources and options available to do so. However, I do not believe that removing the sales tax exemption for non-profit organizations is the answer. Many, if not most, churches and other non-profit organizations are stretched to the limit already seeking and using funds to meet the needs of those who call upon our services.

Non-profit organizations (particularly churches) reach persons that are often overlooked and provide very specialized services that only they can provide. For many non-profits the elimination of this exemption may well mean their closure or a severe reduction in services. To whom then will those receiving these services look to have their needs met? **Therefore, I would urge you not to remove this sales tax exemption for churches in Senate Bill 476.**

Sincerely yours,

*Richard L. Nelson*

Dr. Richard L. Nelson

39-16