

## MINUTES OF THE SENATE EDUCATION COMMITTEE

The meeting was called to order by Chairman Dwayne Umbarger at 1:42 p.m. on March 23, 2004 in Room 123-S of the Capitol.

All members were present:

Committee staff present:

Carolyn Rampey, Legislative Research  
Kathie Sparks, Legislative Research  
Theresa Kiernan, Office of the Revisor of Statutes  
Judy Steinlicht, Committee Secretary

Conferees appearing before the committee:

Ron Hein, Kansas Restaurant & Hospitality Association  
R. E. "Tuck" Duncan, Kansas Wine & Spirit Wholesalers Association  
Neal Whitaker, Kansas Beer Wholesalers Association  
Gordon Yetter, Edward's Retail Liquor  
Phillip Gradley, Kansas License Beverage Association  
Chris Courtwright, Legislative Research Department  
Joan Wagnon, Secretary of Revenue

Others attending:

See Attached List

### **Senate Leadership School Finance Plan**

Ron Hein, representing Kansas Restaurant & Hospitality Association (KRHA), is neutral on the school finance proposal, however, they have concerns about some of the tax revenue sources. KRHA feels there are three areas that may adversely impact the hospitality industry. They are the revocation of alcohol licenses for non-payment of taxes; gallonage tax increase; and the elimination of the sales tax exemption for utilities consumed in production for some members of the industry. KRHA is concerned that the government in the last couple of years is focusing on targeted tax increases. (Attachment 1)

Tuck Duncan, Kansas Wine & Spirits Wholesalers Association, testified against any proposed increases in beverage alcohol taxes. He believes that excise taxes are regressive and discriminatory and that beverage alcohol already contributes significant federal, state and local taxes. He believes the proposed increases may not produce the anticipated revenues and that cross border purchasing will increase. (Attachment 2)

Neal Whitaker, Kansas Beer Wholesalers Association, testified against the targeted tax increases proposed in this school finance plan. In 1979, a Kansas drink tax of 10 percent of gross receipts was imposed; in 1987, the 4 percent enforcement tax for off-premise consumption was doubled to 8 percent and was broadened to include 3.2 percent beer; in 1990, the 10 percent drink tax was extended to more licensees; in 1991, Kansas consumers had the federal portion of their beer excise tax doubled; and in 2002, the Kansas sales tax was increased. Mr. Whitaker said that Kansas is the only state that taxes alcohol beverages three times before the beverage is purchased by the consumer. Mr. Whitaker said Kansas will continue to lose revenue by raising taxes on select items that people can easily buy out of state. They do not mind that taxes must be paid prior to issuing a state license, but it should apply to all state issued licenses. Funding education is every citizen's responsibility and every citizen should share the tax burden. (Attachment 3)

Gordon Yetter, Edwards Retail Liquor, Topeka, supports education and is a business owner and a full time economics and business professor at a community college. He stated that he understands the need of reliable funding for Kansas educational system. Mr. Yetter believes that increasing gallonage tax would cause extreme hardship and dead weight loss to this targeted industry. Referring to recent news coverage regarding obesity in children, Mr. Yetter suggest taxing pop, candy and fast foods. He believes something different needs to be done to help our educational system without destroying Kansas owned small businesses. (Attachment 4)

## CONTINUATION SHEET

MINUTES OF THE SENATE EDUCATION COMMITTEE at 1:42 p.m. on March 23, 2004 in Room 123-S of the Capitol.

Dr. Phillip Bradley, Executive Director, Kansas Licensed Beverage Association (KLBA), testified that they are in support of education, but are against targeted taxes at only one industry. They believe that the funds needed for the state should come from taxes that all citizens pay. Targeting individual industries only makes that industry less competitive in the market place and drives consumers to other states or on-line sales outlets where Kansas receives no tax revenue. Dr. Bradley stated that KLBA supports the tax collection component to recover taxes rightfully owed the state of Kansas. In 2001/2002, KLBA testified that delinquent taxes in question must be those that apply directly to the business which holds the license and this was added to a bill. They also proposed that renewals of all licenses and permits be treated the same; and that if one stockholder in a corporation or business operating this license was delinquent that the entire business would not be penalized. KLBA asks that these proposals be included in this bill. (Attachment 5)

Senator Oleen passed out a memorandum prepared by Theresa Kiernan, Revisor's office, listing ten licensees that are already required to be current in their tax payments to do business in the state of Kansas. (Attachment 6)

Chris Courtwright, Legislative Research, came to the committee to answer questions that were raised yesterday regarding the tax proposals in the Senate Leadership School Finance Plan. Chris answered those questions and passed out information further explaining the tax provisions. (Attachment 7)

Secretary of Revenue, Joan Wagnon, provided information regarding several tax provisions from earlier introduced bills, which the Department strongly supports. (Attachment 8)

Senator Teichman made a motion to approve the minutes for March 15, 16, 17 and 18. Seconded by Senator Vratil. Motion carried.

Senator Umbarger announced that the committee would meet again tomorrow at 8:00 a.m., place to be announced. The meeting adjourned at 2:40 p.m.