

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:40 A.M. on February 14, 2007 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Kansas Legislative Research Department

Gordon Self, Office of Revisor of Statutes

Judy Swanson, Committee Assistant

Conferees appearing before the committee:

Senator Jim Barone

Senator Dennis Wilson

Gavin Steketee, Dream Factory

Bryan Lagree, Jazz in the Woods, Inc.

Senator Pat Apple

Senator Roger Pine

Donetta Shaner, Johnson County Young Matrons

Norman Chambers, Booth Theatre

Bob Drummond, TLC Charities

Others attending:

See attached list.

Richard Cram, KDOR, distributed information the Committee requested on **SB 115**, concerning revocation of sales tax registration certificates. (Attachment 1)

SB 289--Sales tax exemption for certain purchases by 501 (c)(3) organization

Chris Courtwright, Legislative Research, reviewed the 2005 and 2006 interim committee recommendations on sales tax exemptions. He noted **SB 289** would have a \$25 million fiscal note. If enacted, it would give sales tax exemption to all 501 (c)(3) organizations. Currently, \$33.7 million in sales tax exemption is already given to not-for-profit entities in Kansas. The U.S. Supreme Court said sales tax exemptions are a form of subsidy. Mr. Courtwright will provide a copy of that ruling to the Committee. There are between 18,000 and 19,000 organizations that would be included in **SB 289**. Richard Cram will provide the descriptions of organizations included in 501(c)(3) entities.

Hearing on SB 256--Sales tax exemption for the Frontenac Education Foundation

Senator Jim Barone testified the Frontenac Education Foundation provides scholarships to every qualified graduate of up to \$800 for tuition. (Attachment 2) There are no paid employees for Festa Italiana, which is the major fundraiser of the Foundation. He requested favorable consideration of the bill.

The hearing was closed.

Hearing on SB 98--Sales tax exemption for the Dream Factory, Inc.

Senator Dennis Wilson testified in support of SB 199 for the Dream Factory. (Attachment 3) Larry Moore, KMBC-TV, Kansas City, is spokesman for the Kansas City area Chapter.

Gavin Steketee, Dream Factory, testified the mission of the Dream Factory, is to provide dreams to children with life-altering illnesses. The organization is tax exempt on the Missouri side.

The hearing was closed.

Hearing on SB 199--Sales tax exemption for Jazz in the Woods, Inc.

Bryan LaGree, Board of Directors of the Overland Park South Rotary Club and officer of Jazz in the Woods, said the sole purpose of the Rotary Club is to raise monies and distribute the proceeds to children's charities. (Attachment 4) All 100% of the proceeds from Jazz in the Woods go directly to the charities. There

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is no payroll or heavy expenses due to having 100% volunteers for the event.
The hearing was closed.

Hearing on SB 200--Sales tax exemption for Ottawa Suzuki Strings, Inc.

Senator Apple testified in favor of **SB 200**, then introduced Alice Joy Lewis, director of Ottawa Suzuki Strings. ([Attachment 5](#)) Ms. Lewis said Ottawa Suzuki Strings focuses on education for children of all ages about the arts. They also provide free community concerts.
The hearing was closed.

Hearing on SB 227--Sales tax exemption for International Association of Lions Clubs

Senator Pine testified on behalf of the Baldwin City Lions Club requesting support to have all Lions Clubs in Kansas exempt from collecting and paying sales tax. ([Attachment 6](#)) Most of Lions Club projects focus on sight-related issues, and 100% of all funds go to the philanthropic endeavors of the Clubs.
The hearing was closed.

Hearing on SB 241--Sales tax exemption for Johnson County Young Matrons, Inc.

Donetta Shaner, Johnson County Young Matrons, requested support for **SB 241**. ([Attachment 7](#)) All proceeds from the JCYM Philanthropic Fund are donated to their projects. No money is used for administrative expenses as JCYM has no employees.
The hearing was closed.

Hearing on SB 261--Sales tax exemption for the Booth Theatre Foundation, Inc.

Norman Chambers, Booth Theatre, said they would like the sales tax exemption, especially because they are undertaking a major rehabilitation and restoration on the theatre. ([Attachment 8](#)) Senator Schmidt pointed out that in effect the state is taxing itself when grant programs incur a sales tax on their projects.
The hearing was closed.

Hearing on SB 290--Sales tax exemption for TLC Charities Foundation, Inc.

Bob Drummond, TLC Charities Foundation, testified in favor of **SB 290**. ([Attachment 9](#)) TLC has an endowment that exceeds \$1,000,000 with an expectation to grow that amount by 10% each year.
The hearing was closed.

Written testimony from Mark Desetti, on behalf of KNEA and KASB, was received stating there could be negative consequences of more sales tax exemptions. ([Attachment 10](#))

April Holman, Fiscal Focus, testified she did not oppose any of the organizations requesting a sales tax exemption, but was concerned about the general erosion of the sales tax base. ([Attachment 11](#))

Randall Allen, Kansas Association of Counties, presented written testimony in opposition to the sales tax exemption bills. It would only shift the burden of financing vital services. ([Attachment 12](#))

Don Moler, League of Kansas Municipalities, presented written testimony in opposition to the sales tax exemption bills. ([Attachment 13](#)) Further sales tax exemptions will put more pressure on the local property tax.
The hearing was closed.

Committee discussion was held on the sales tax exemption bills. Senator Pine said Missouri exempts all 501(c)(3) organizations from sales tax. Staff will check on other surrounding states. Gordon Self will work on defining the word "charitable". The Senate Assessment & Taxation Committee has not rejected any sales tax exemption bill for a specific organization, but the House Taxation Committee has rejected specific groups. The Legislature does not pass all tax exemption requests every year. Senator Schmidt feels the current application process is working well and should be continued. Senator Donovan said these

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organizations help a great number of people, and the sales tax exemptions should be continued. Senator Apple complimented benovlant organizations for assisting the State in aiding those who need help.

Mr. Self said it would be possible to combine all sales tax exemption bills into one bill for passage.

Being no further business, the meeting adjourned at 11:49 a.m. The next meeting will be February 15.