

HOUSE HEALTH AND HUMAN SERVICES COMMITTEE
Testimony of Wade Ferguson
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House Bill 2204
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Mr. Chairman, Members of the Committee, my name is Wade Ferguson and I am pleased to give testimony to you in support of HB 2204. I am the owner of two Gold's Gyms, one in Merriam and one in Olathe.

HB 2204, the elimination of sales tax on membership dues is a great Bill and should be supported. It will encourage exercise and make it more accessible and less expensive to Kansans. The health benefits alone are enough to make this Bill worthy of passage. However it is also about more than health.

First I should point out what the bill does not include. There are no proposed sales tax exemptions for any equipment, supplies, goods and services that are purchased by a health club. HB 2204 only addresses the membership dues and initiation fees paid by individual Kansans.

Traditionally Kansas and the Kansas Legislature have refused to treat groups of taxpayers differently. The Legislature has resisted passing legislation that does this. When this type of inequity is pointed out, the Legislature has usually corrected the inequity. HB 2204 corrects the different treatment of certain Kansas taxpayers that are using the same service.

Today, one member of a health club pays sales tax, while their neighbor may not. This is not because of the service or product they might receive; rather it is because of where they receive the service. This happens due to a Kansas Statute that makes membership dues for a non-profit health club sales tax exempt, while requiring members of all others to pay tax for the same service. It is important to point out, that the club does not pay the tax, whether they are tax exempt or not, it only collects the tax. The individual members are the ones paying the tax. The inequity goes even further.

In the majority of cities in Kansas there are no non-profit health clubs so there are none that are exempt from collecting sales tax on memberships. This means that citizens who live in most Kansas cities are not given the same benefits as citizens who live in some other cities where different types of health clubs exist. The Legislature has inadvertently made citizens in Independence, Arkansas City, Baldwin City, Lansing, Hays, and others pay taxes that some people from Wichita, Topeka, Overland Park, Hutchinson, Salina, etc. don't have to pay. This inadvertent discrimination is easily corrected by the passage of HB 2204.

Finally, I have one more concern. The Missouri legislature is considering a provision that will make membership dues for all health clubs sales tax exempt. Some clubs in Johnson County could lose members to Missouri clubs if this provision passes in Missouri and HB 2204 does not. Obviously this will negatively affect our clubs, but it will also cost the State of Kansas revenues as these members leave Kansas clubs to go to Missouri. These losses will be in the form of sales tax paid on goods these members would purchase that are not sales tax exempt under HB 2204 and income taxes clubs pay.

So while this Bill is a great benefit to the health of Kansans – it also corrects a provision that discriminates against some Kansans and protects the loss of revenues to Missouri. I hope you will support this Legislation. Thank you.