

MINUTES OF THE HOUSE TAXATION COMMITTEE.

The meeting was called to order by Vice Chairman, David Huff at 9:00 a.m. on February 14, 2003 in Room 519-S of the Capitol.

All members were present except:

Representative Edmonds  
Representative Davis  
Representative Goering  
Representative Sharp

Committee staff present:

Chris Courtwright, Legislative Research Department  
Gordon Self, Office of the Revisor  
Carol Doel, Committee Secretary

Conferees appearing before the committee:

Bernie Koch, Wichita Chamber of Commerce  
Marlee Carpenter, Kansas Chamber of Commerce  
Don McNeely, Kansas Auto Dealers  
Tom Whitaker, Kansas Motor Carriers

Others attending:

See attached list

Vice Chairman Huff called to the attention of the committee testimony which was written by Bob Vancrum, Greater Kansas City Chamber of Commerce, and submitted by Marlee Carpenter, Kansas Chamber of Commerce, in opposition to **HB 2148** which was heard on Wednesday, February 12, 2003. (Attachment 1)

With no bill introductions, Vice Chairman Huff opened the meeting for hearing on **HB 2109**. A fiscal note was submitted by the Division of the Budget, Duane Goossen, Director, with the estimated impact for FY 2004 being \$16,857,000.

Bernie Koch, representing the Wichita Chamber of Commerce, presented testimony in opposition to **HB 2109** stating that this bill affects just about everything the aircraft industry in that area does. It puts sales tax on aircraft and aircraft parts, on services to repair, re-manufacture and modify aircraft, and to replace parts. Most states already have tax exemptions in place. If they are repealed, there become a disincentive for business to retain or place new work, investments and projects in Kansas. (Attachment 2)

Mr. Koch also presented information regarding Impact of the Aviation Industry on the Kansas Economy (Attachment 3), and Site Selection Factors 2002 (Attachment 4)

Next to testify in opposition to **HB 2109**, was Marlee Carpenter, Director of Taxation and Small Business, Kansas Chamber of Commerce, voicing the opinion that repeal of this exemption would put Kansas at a competitive disadvantage, drive aircraft delivery to other states and would eliminate the multiplier effect of air craft delivery. In order to keep Kansas competitive, the cost of doing business in the state cannot be increased. (Attachment 5)

CONTINUATION SHEET

MINUTES OF THE HOUSE TAXATION COMMITTEE at 9:00 a.m. on February 14, 2003 in Room 519-S of the Capitol.

KADA (Kansas Automobile Dealers Association) was represented by Don McNeely, President, presenting testimony in opposition to **HB 2109**. In their opinion, the repeal of this tax exemption would place Kansas dealerships in a severe competitive disadvantage if out-of-state residents would have to pay, not only Kansas sales tax, but also the sales tax imposed in the in the state of their residency. In addition, this proposal would seriously jeopardize our reciprocity with our neighboring states. (Attachment 6)

Tom Whitaker, representing Kansas Motor Carriers Association voiced the opinion that removal of the tax exemption as proposed in **HB 2109**, would clearly discriminate against Kansas truck and trailer dealers. No interstate motor carrier based in our surrounding states would purchase equipment in Kansas when such purchases are exempt from sales tax in their base state. Their testimony also stated they believe that removal of this sales tax exemption would have a direct negative impact on Kansas businesses whose sales would be reduced if such taxes were imposed on out-of-state customers. (Attachment 7)

With no further scheduled conferees, Vice Chairman Huff asked if there was anyone else wishing to speak to the committee. Jonathan Small came forward to introduce Jim Ziegler of Bombardier Aircraft. Mr. Ziegler testified in opposition to **HB 2109** saying that it would cause a huge competitive disadvantage if the tax exemption was repealed. (No written testimony)

Bob Dickens, Midwest Regional Representative for AOPA, Aircraft Owners and Pilots Association, also came before the committee testifying in opposition to **HB 2109**. He stated that they are world's largest aviation organization with over 5200 members in Kansas, and for a number of reasons, mostly economic they are opposed to the repeal of the tax exemptions on aircraft. (No written testimony)

No one else wished to address the committee regarding **HB 2109** and Vice Chairman Huff closed the meeting for hearing.

There being no further business before the committee, Vice Chairman Huff adjourned the meeting at 10:30 a.m.