

MINUTES OF THE HOUSE TAXATION COMMITTEE.

The meeting was called to order by Chairperson John Edmonds at 9:00 a.m. on March 10, 2003 in Room 519-S of the Capitol.

All members were present except: Representative Sawyer

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Gordon Self, Office of the Revisor of Statutes
Sarah Samuelson, Acting Committee Secretary

Conferees appearing before the committee: Lewie Klemp, Representing Himself
Larry Baer, Kansas League of Municipalities
Mark Tallman, KASB
Representative Eric Carter, Kansas City Star
T.C. Anderson, Executive Director Certified Public Accountants of Kansas
Chuck Stones - Kansas Bankers Association
Pat Hubbell, Public Accountants Association of Kansas and Kansas Railroads
Hal Hudson, NIFB
Shirley Martin-Smith, KCCI & Adecco Employment Services
Trudy Aron, American Institute of Architects
Gary Reser, Kansas Veterinarian Medical Association
Becky Blades, Geater Kansas City Chamber of Commerce
Dan Koenig, Overland Park Chamber of Commerce
Harriet Lange, Kansas Association of Broadcasters
Kevin Walker, American Heart Association
Ronnie Baker, BGM Industries
Phil Aitken, Heart of America Staffing Services Association

Others attending: See Attached List

Chairman Edmonds called for any bill introductions, hearing none, he opened the floor for public comment on **HB 2421**. With sixteen conferees wishing to address the bill in one and one half hours' time, the Chairman allotted each conferee three minutes testimony time and the members one line of questioning per conferee.

First to appear before the committee as a proponent of **HB 2421** was Lewie Klemp, representing himself. Mr. Klemp stated in his testimony that he advocated the removal of all exemptions and believes that there will be

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more money than needed. ([Attachment 1](#))

Also addressing the committee as a proponent of **HB2421** was Larry Baer from the Kansas League of Municipalities. It is their belief that the public would be better served with more sales subject to the tax. ([Attachment 2](#)) Mr. Baer also submitted for review a copy of the testimony from Don Moler, Executive Director of LKM (League of Kansas Municipalities) ([Attachment 3](#))

Mark Tallman, Assistant Executive Director/Advocacy, Kansas Association of School Boards, gave testimony in favor of **HB 2421**. Their primary interest is education funding. It is their belief that any revenue plan adequate to meet the needs of Kansas public schools and services will almost certainly require a number of components. They would support a revenue measure that includes extension of the sales tax to services, or repeal of exemptions as part of a revenue strategy that is balanced, fair and efficient. ([Attachment 4](#))

With no further proponents for **HB 2421**, Chairman Edmonds introduced Representative Eric Carter, who presented testimony from Steve Broas, Vice-President of Advertising, The Kansas City Star. This testimony stated the new tax would severely reduce Kansas businesses ability to compete and win market share. ([Attachment 5](#))

Presenting testimony in opposition to **HB 2421** was T.C. Anderson, KSCPA (Kansas Society of Certified Public Accountants, Executive Director. In their opinion any new service tax base would have a profound effect on small businesses and employment. It would harm Kansans as it impacts multi-state business patterns, as well as impact administration and compliance. Also a sales tax on all services disproportionately imposes a heavier burden on low income individuals. ([Attachment 6](#)) Mr. Anderson also included a copy of *Kansans For Tax-Free Services* position statement. ([Attachment 7](#))

Kansas Bankers Association was represented by Chuck Stones, Senior Vice President, who presented testimony in opposition to **HB 2421**. If this bill were to pass, there would be a huge administrative burden to the entire banking industry in order to comply with gathering such a tax. ([Attachment 8](#))

Representing PAAK, (Public Accountants Association of Kansas, Inc.) and Kansas Railroads, Patrick Hubbell appeared before the committee in opposition to **HB 2421**. The PAAK urged the legislature to support an overall state tax structure that is competitive with the surrounding states, oppose the taxation of professional services, including accounting, auditing, tax and consulting services, and maintain the existing exemption from sales taxes on these professional services. ([Attachment 9](#)) His testimony for Kansas Railroads suggested that imposing additional costs on a vital economic service during these trying times cannot be the best way to address the budget deficit. ([Attachment 10](#))

Encouragement for continuing to look for ways to reduce the costs of government, rather than increasing the tax burden on an already weak economy, was the request in the testimony for NFIB (National Federation of Independent Business) presented by Hal Hudson in opposition to **HB 2421**. ([Attachment 11](#))

Shirley Martin-Smith addressed the committee representing KCCI (Kansas Chamber of Commerce and Industry in opposition to **HB 2421**. It is their feeling that those hurt the most by a sales tax on the staffing industry are minorities, women, retirees, laid-off workers seeking new opportunities, and individuals

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transferring from welfare to work. (Attachment 12)

Phil Aitken of Signature Staffing, Inc. gave testimony in opposition to **HB 2421** stating the higher unemployment associated with a sales tax on staffing services will have a dampening effect on consumer spending and will likely offset much of the anticipated sales tax revenue. (Attachment 13)

Speaking for Overland Park Chamber of Commerce, Dan Koenig, President, made a statement that if a tax on services is imposed, thousands of businesses in Overland Park, Johnson County and the State of Kansas will consider alternative locations, resulting overall in millions of dollars of lost state revenue. (Attachment 14)

Ronald Baker presented testimony for Cardinal/BG Service Solutions in opposition to **HB 2421**. In their summation they hoped that rather than tax janitorial services, which would cause economic harm to their employees and businesses, that the legislature look to correcting problems in the mis-classification of employees as “illegal “ subcontractors. (Attachment 15)

Next to address the committee was Trudy Aron, Executive Director of AIA Kansas (American Institute of Architects). Ms. Aron spoke in opposition to **HB 2421**. In their opinion removal of the sales tax exemption for architectural services would have a devastating affect on their firms. It is felt that those in the Kansas City metro area would, most likely, move across the state line to Missouri. (Attachment 16)

Harriet Lange with the Kansas Association of Broadcasters, addressed the committee in opposition to **HB 2421**. The altering of these tax measures would discourage advertising in Kansas which would in turn exacerbate our sluggish economy. Although their exemption does not have a major impact on state revenues, it means a great deal to each and every local radio and television station serving the Kansas communities. (Attachment 17)

With no further conferees appearing before the committee, Chairman Edmonds called the committees' attention written testimony from Lenexa Chamber of Commerce (Attachment 18), Leawood Chamber of Commerce (Attachment 19), Shawnee Chamber of Commerce (Attachment 20), Kansas Farm Bureau (Attachment 21), Olathe Chamber of Commerce (Attachment 22), American Heart Association (Attachment 23), Kansas Press Association (Attachment 24), The Wichita Eagle (Attachment 25), The Topeka Capitol Journal (Attachment 26), and the Kansas Optometric Association (Attachment 27) all in opposition to **HB 2421**.

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