

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson Senator Audrey Langworthy at 11:10 a.m. on February 14, 2000, in Room 519-S of the Capitol.

All members were present except: Senator Praeger – Excused

Committee staff present: Chris Courtwright, Legislative Research Department
Don Hayward, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Senator Donald Biggs
Lenny Meier, Jr., Kansas Vegetable Growers Association
Dan Nagengast, Director, Kansas Rural Center
Keith Holy, Overland Park Farmers' Market
Donna Taylor, Taylor Orchard
Shirley Sicilian, Kansas Department of Revenue

Others attending: See attached list.

The minutes of the February 9 and 10, 2000, meetings were approved.

SB 476–Sales taxation; exempting sales of certain fruits and vegetables

Senator Donald Biggs testified in support of **SB 476**. He explained that the only statute change is in the title and on page 16, lines 8 and 9. The bill exempts Kansas sales tax on all sales of fruits and vegetables produced in Kansas and sold directly to individual consumers by the producer. Senator Biggs noted that **SB 476** is simply a small effort to encourage the production of fruits and vegetables by Kansas farmers. In addition, he pointed out that it will save bookkeeping and reporting for small independent farmers. (Attachment 1)

Lenny Meier, Jr., representing the Kansas Vegetable Growers Association and the Kansas State University Horticulture Society, testified in support of **SB 476**. Noting that he is a third generation farmer, he discussed how the elimination of sales tax on locally grown produce would benefit low-income families and farmers whose income is suffering from low grain prices. He believes that passage of the bill would encourage more business ventures by local growers and, ultimately, would keep local dollars at home rather than in the hands of major chain stores. (Attachment 2)

Dan Nagengast, Director of the Kansas Rural Center (KRC) and a producer, testified in support of **SB 476**. He discussed several maps attached to his written testimony regarding KRC market clusters, locations of Community Service Agriculture in Kansas (CSAs), and community food systems projects. Also attached is a statistical chart regarding vegetable, fruit, and legume production and consumption in the state of Kansas. He noted that currently there are approximately 60 farmers' markets in Kansas and discussed the research which has indicated that farmers' markets have great growth potential. He pointed out that exempting the sales tax on locally produced fruits and vegetables would provide significant savings to low-income families which would enable them to buy a larger quantity of fresh, nutritional foods at farmers' markets during the summer months. (Attachment 3)

Keith Holy, volunteer market manager for Overland Park Farmers' Market, testified in support of **SB 476** on behalf of local home gardeners. He described the growth of the Overland Park Farmers' Market over the years. He noted that most of the vendors are small, "Mom and Pop" gardeners who grow a variety of produce items to sell to people within their own community. He feels that the elimination of sales tax on this type of produce sales would help local Kansas growers stay in business. Mr. Holy suggested four restrictions to monitor sales by vendors in farmers' markets. (Attachment 4)

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE Room 519-S, Statehouse, at 11:10 a.m. on February 14, 2000.

Senator Langworthy observed that many vendors at the Overland Park farmers' market are Missouri vendors and asked if Missouri vendors currently pay Kansas sales tax. Mr. Holly commented that he does not keep records on sales tax collections by vendors. He agreed that determination of what produce was grown in Kansas and who is to charge sales taxes could create confusion for vendors and consumers. He acknowledged that compliance would depend on the honesty of the farmers selling produce at farmers' markets.

Donna Taylor, Taylor Orchard, gave final testimony in support of **SB 476**. She discussed how she became an owner of an apple orchard and the financial struggles she has experienced. She noted that there is very little incentive to continue when she makes less than 50 cents an hour for her labor. She informed the Committee that, for 1999, her gross receipts were \$6,741.96. After allowable deductions, the state retail sales tax due was \$39.37. Although this year was supposed to be a "good year" for apples, major crop damage occurred due to coddling moth, and much of her produce ended up on the ground or unpicked because she could not afford to hire anyone. Noting that many times she has nothing to show for her work at the end of the year except sore muscles, she emphasized that a tax break would be of great benefit to her small, struggling orchard business. (Attachment 5)

Mr. Nagengast stood to respond to earlier discussion regarding the issue of how to differentiate between local and non-local vendors. He explained that the federal farmers' market nutrition program, found in 27 states, applies only to locally grown fruits and vegetables, and differentiation under this program has worked successfully for many years.

Ken Krause of Overbrook, Kansas, stood in support of **SB 476**. He informed the Committee that he has an apple orchard, a vineyard, and an asparagus patch. He noted that the Committee discussion had centered on vendors at farmers' markets. He believes that, if all farmers were exempted, many farmers statewide would turn to selling their produce as a way to sustain their income. He feels that there would be a large market for farmers since many persons who buy locally grown produce are not from low-income families but rather are average, working citizens looking for a good bargain.

Mr. Meier commented that, currently, the collection of sales tax on produce sold by farmers is dependent on the honesty of the farmers. With the passage of the bill, reports of sales would still depend on the honesty of farmers. In his opinion, the consumer is not concerned whether or not sales tax is collected at farmers' markets. He noted that, although passage of the bill would benefit the poor, the bill was intended to provide a benefit for farmers only. He believes the bill will help farmers continue to stay in the business of farming, and it will help individuals who want to become a farmer. With this, the hearing on **SB 476** was closed.

Senator Langworthy opened a discussion on a previously heard bill, **SB 502**, allowing certain oil lease working interest property tax refunds, which was introduced at the request of Senator Lee. Senator Lee distributed copies of clarifying amendments suggested by the Department of Revenue at the hearing. (Attachment 6)

Shirley Sicilian, Kansas Department of Revenue, explained that the bill creates a separate program for the Department to administer, and the fiscal note regards the administrative cost for the Department. Although the bill will create more work for the Department, the Department supports the bill because it will eliminate much paperwork for taxpayers.

Senator Lee moved to amend **SB 502** as suggested by the Department of Revenue, seconded by Senator Donovan. The motion carried.

Senator Lee moved to report **SB 502** as amended favorable for passage, seconded by Senator Donovan. The motion carried.

The meeting was adjourned at 12:00 p.m.

The next meeting is scheduled for February 15, 2000.

