

# Exemptions cost the state billions in tax revenue

Information gathered from recent Legislative Post Audit reports and other sources gives us a look at the state's current tax status.

Kansas currently has 99 sales tax exemptions costing the state an estimated \$4.2 billion last year. Thirteen of those account for \$4.1 billion, or 96 percent, of the forgone sales tax revenue.

Some of the costliest exemptions cover machinery and equipment for farms and businesses (\$231 million a year), educational and youth activities (\$58.5 million), labor services (\$182 million), utility bills (\$136 million) and health care (\$70 million). Although there may be good public policy reasons for having such exemptions, they do erode the state's tax base.

A report issued by the Department of Revenue says state tax exemptions have cost government billions of dollars in lost revenue over the last few years. Most of the exemptions on that list were implemented in the mid-1990s, when state revenues were exploding. In fact, State General Fund revenues increased 107 percent between 1987 and 1997.

That is much faster than was needed to sustain necessary spending, so the legislature responsibly granted some tax breaks. The beneficiaries were mostly those who probably needed it the most, as evidenced



## Letter from Topeka By Sen. Ralph Ostmeyer ralph.ostmeyer@senate.ks.gov

by some of the largest amounts on the Department of Revenue report: car tax reductions, single-income rate reductions, earned income tax credit, food sales tax rebate and increasing the personal exemption.

Some degree of government spending is necessary, but all government spending is a drag on the economy. Government has no money of its own; it only has what it takes from taxpayers and redistributes.

Any money that government spends must first — or eventually — be taken out of the economy. And when businesses and individuals must spend more on taxes, they have less to spend on goods and services ... and on hiring people.

There are no easy answers to our current budget crisis. We must examine our policies and take action with clear, precise goals in mind that cause the least harm with the most benefit.

Here is an update on Senate

activity last week.

**Smoking Ban Update:** On Thursday, the House concurred with the Senate on HB 2221, the Clean Indoor Air Act, 68-54. The bill now heads to Gov. Mark Parkinson.

**Appointments:** The Senate unanimously approved:

- John P. Smith as credit union administrator.
- Ed McKechnie to the Board of Regents.
- James Needham to the state Banking Board.
- Joanne M. Budler as state librarian.

**HB 2411, Schedule I Drugs, add K2:** HB 2411 amends the Kansas Uniform Controlled Substances Act to expand the list of Schedule I controlled substances to include the chemical compounds HU-210, JWH-018, JWH-072, BZP and TFMP. The bill is nearly identical to SB 348, which passed earlier this session, except that it includes TFMP. Passed 37 to 1 on Thursday.

**SB 478, Kansas Cigarette and Tobacco Products Act:** SB 478 amends the Kansas Cigarette and Tobacco Products Act by redefining cigarettes and defining little cigars. The bill defines a little cigar as a roll of tobacco wrapped in leaf tobacco or material with tobacco that weighs no more than three pounds per 1,000 units and makes them subject to cigarette taxes. The measure also requires cigarette stamps to have legible characteristics with serial numbers and eliminates the requirement that packs have water-applied stamps or meter imprints. SB 478 failed 18-21 on Thursday.

**February Revenue Collections:** February's was the fourth monthly report based on the revised consensus revenue estimates from November. Through February, tax-only collections to the state General Fund were \$71.1 million, or 26.7 percent, below estimates. Tax only revenues for the 2010 fiscal year, to date, have totaled \$3.1 billion, a \$105 million shortfall from the estimate of \$3.2 billion. For the year, tax only receipts are \$292.8 million, or 8.6 percent, below the same period last year.

Several tax sources fell below estimates by more than \$1 million. Those include a \$33.5 million deficit in individual income taxes, a \$14 million shortfall in sales tax receipts, \$5.3 million in corporate

income taxes, \$8.3 million in compensating use taxes, and a \$5.3 million in oil and gas severance tax collections.

**Session Deadlines:** Friday, March 19 — All bills must be out of committee by start of session.

Wednesday, March 24 — Second House Consideration.

Friday, April 2 — No session, Good Friday.

**Senate Bill 541, Court of Appeals Judges:** SB 541 delays the appointment of the 14th Court of Appeals judge to Jan. 1, 2012 and saves \$389,340 from the General Fund for fiscal year 2011. Passed 40 to 0 on Wednesday.

**House Bill 2323, Providers of Care Services:** HB 2323 amends existing law regarding providers of care services by adding crimes against property to the list of offenses an applicant may have been convicted of and still be employed by a care home or agency as long as at least five years has passed since the sentence terms were complied with.

In addition, the measure allows an operator of a care home or agency to request criminal history information for persons licensed or registered by the state and for volunteers who provide care home and agency professional services. Current law requires only nonlicensed staff to

have background checks. Passed 39 to 1 on Wednesday.

**House Bill 2500, Municipal Insurance Pools:** HB 2500 amends the Kansas Municipal Group-Funded Pool Act to allow municipal insurance pool applicants to submit confirmation that their reinsurance has been approved by the insurance commissioner and is in effect or will be effective when the pool assumes risk. The confirmation of reinsurance approval is an addition to the current requirement that municipal pools hold excess insurance provided by an insurance company holding a Kansas certificate. The bill also requires the pool to notify the commissioner, within 30 days, of any changes in reinsurance. Passed 40 to 0 on Wednesday.

**House Bill 2501, Mortgage Guaranty Insurance Company Liability:** HB 2501 allows the insurance commissioner to waive the minimum policy surplus requirement, up to two years, for the liability of mortgage guaranty insurance companies. Current law does not allow a mortgage guaranty insurance company to have an outstanding total liability or net of reinsurance under its aggregate mortgage guaranty insurance policies that exceed 25 times its capital, surplus and contingency reserve. Passed 40 to 0 on Wednesday.

## Petition fizzles quickly

To the Editor:

Several months ago, I put together a petition trying to help people understand that we have to produce our own energy — such as our oil. We have all the oil, coal, natural gas, nuclear... What I tried to say was that in the near future, the socialist government will control how much fuel we will be allotted for our vehicles, depending on what we do and the priority to use fuel for what. This is the end of our freedom.

Capitalism allows us to come and go where we want to for work or play. I had three people sign this petition — pathetic. People are afraid to stand and be responsible

for freedom. Have you noticed the plastic bags are starting to appear on gas nozzles. I hope your heart is pounding by having eyes to see and ears to hear.

I like the freedom I get from capitalism.

Robbie Jones  
Lenora

## Security system fails her

To the Editor:

What went wrong with my security systems?

It doesn't take much to realize there is fraud going on with my various security systems. Recently, I received a bill from an Internet company. Can you believe I never signed up for Internet with this company.

Sunday we went to church and dinner. We came home to see that the security system had been messed with, as it was still making some noise. I immediately called dispatch. They informed me the security system called them and the police came to my house but did not

see anything.

That same security system left a number for me to call. Guess what the operator tells me... "that number has been disconnected." Would you call this a security system?

It is also a fact most every time we are gone, be it in town or out, my computer or printer will not work when it did just before. No wonder my book doesn't get finished or published. It is apparent I need to get a better way to keep intruders out of my home and away from my important papers.

Elsie Wolters  
Oberlin

## Photo Policy

The Oberlin Herald wants to emphasize photos of people doing things in the community. If you know of an event or news happening that we should attend, please call 475-2206.

Please be sure to allow a couple of days' notice so we can arrange to be there.

Space in the paper is limited and so is the time of our staff, so we may not be able to get to every event, but we will try.

Because space is so limited, we cannot run team or group photos, any pictures of people lined up or of people passing checks, certificates and the like. (We will always try to make room for a story about any of these events, however.)

We do run wedding and engagement pictures and "mug" shots with stories and obituaries, when they are provided to us. Please remember that we need a clear,

sharp picture. Dark or fuzzy prints will not work.

We cannot return photos unless you submit a self-addressed, stamped envelope with clear instructions for return. Other photos submitted may be picked up at our office within two weeks. After that, they will be disposed of.

Laser proofs of photos which have run in *The Herald* are available, first come, first served.

### DCHS ALUMNI BANQUET RESERVATION COUPON

The DCHS Alumni Banquet will be held at The Gateway in Oberlin, Saturday, May 29, 2010 at 6:30 p.m. Doors open for Social Hour at 5:30. Mail reservations and remittance to Alumni Assn., P.O. Box 201, Oberlin, KS 67749. Price per plate is \$20.00 - This includes dinner and 50 cents for the Smick Memorial Loan Fund.

Alumni's Name	Class	Year to be seated with
Guest	Class	Year to be seated with
Is guest a DCHS Grad?	Y	N
Space allows for alumnus and one guest each. Include maiden name if DCHS alumnus. Deadline for reservations is May 15, 2010.		

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