

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 10:40 a.m. on February 5, 2001, in Room 519-S of the Capitol.

All members were present except:

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

Conferees appearing before the committee: Frances Kastner, Kansas Food Dealers Association  
Marlee Carpenter, Kansas Chamber of Commerce & Industry  
David Unruh, Wichita Independent Business Association  
Hal Hudson, National Federation of Independent Businesses  
Charles Gregor, Leavenworth-Lainsing Area Chamber of Commerce  
Ross Markle, Harris Bros. Cleaners, Inc.  
Don McNeely, Kansas Automobile Dealers Association  
E. Dean Carlson, Secretary of Transportation  
Curtis Sneden, Payless ShoeSource  
Jeff Levin, Varney's Book Store & Kansas Retail Council

Others attending: See attached list.

**SB 38—Sales taxation; allowing remittance credits for collection services provided.**

Francis Kastner, Kansas Food Dealers Association, testified in support of **SB 38**. She noted that 41.7 percent of all taxes collected by the Department of Revenue consists of sales tax sent to the Department by Kansas merchants at no cost to the state. She feels it is important that legislators recognize this added expense for merchants and allow a two percent credit on the transmission of the taxes they collect. She pointed out that Kansas is one of four states involved in a pilot program to collect sales tax from E-commerce, and a third party service provider will be permitted to keep a percentage of the sales tax collected. She believes that Kansas merchants, who have been collecting sales tax for nearly 65 years at no cost to the state, should also be compensated. (Attachment 1)

Marlee Carpenter, Kansas Chamber of Commerce and Industry, testified in support of **SB 38**, noting that it provides a two percent credit for the collection of sales tax with a \$1,000.00 cap per month. She said the bill addresses a substantial problem in the sales tax collection system, and the credit would be helpful to retailers. She called attention to a 1993 Price Waterhouse study attached to her written testimony which reveals that the collection and remittance costs in Kansas average 2.86 percent. She also called attention to a list of the forty-five states which have a sales tax and noted that the list shows what states have a vendor allowance and what the allowance is. She went on to note that Kansas has accelerated the sales tax remittance period several times over the past ten years, and in many instances, Kansas retailers now must remit the full sales tax before it is collected. In addition, she said that bank and charge cards pose a collection problem for retailers in remitting sales tax. In effect, retailers are paying fees to banks and other processors for collecting Kansas' sales tax, but are not reimbursed for these expenses. (Attachment 2)

David Unruh, owner of Unruh Automotive Service, testified in support of **SB 38** as Chairman of the Board for both the Wichita Independent Business Association and the Kansas Organization for Private Enterprise. He supports the bill for the following reasons: (1) He spends twelve hours a month tracking and tabulating sales tax, (2) He spends \$133,000 annually on managing the timely remittance of state tax revenues, (3) Due to the filing frequency requirement, he pays sales taxes before he has collected them on a normal billing cycle, (4) The bill would help offset the cost of collection services, bring equity with surrounding states which have already enacted such legislation, and bring a feeling of fairness. (Attachment 3)

## CONTINUATION SHEET

Hal Hudson, National Federation of Independent Business (NFIB) testified in support of **SB 38**, noting that the collection of sales tax is a time consuming burden for small retailers, and retailers are exposed to risks of penalties and costly fines if they make a mistake. He noted that all four of the states bordering Kansas allow vendor discounts and, in fact, twenty-six states and the District of Columbia allow vendor discounts. He contended that expecting vendors to take responsibility for sales tax collection without compensation is unjust and unfair. (Attachment 4)

Charles Gregor, Leavenworth-Lansing Area Chamber of Commerce, testified in support of **SB 38**. He noted that Chamber's business members currently expend considerable resources collecting, processing, and remitting sales tax revenue to the Department of Revenue. He believes the bill will right the wrong inherent to a system that does not provide compensation to business for the collection of sales tax revenue. (Attachment 5)

Senator Lee asked Mr. Gregor if he would support the bill if it also provided that two percent of the local taxes collected go back to the retailers. Mr. Gregor said he would, based on the fact that it would be fair to businesses.

Ross, Markle, Harris Bros. Cleaners, Inc., testified in support of **SB 38**. He explained that his business, which is located in Leavenworth, is just across the river from Missouri. The State of Missouri has no tax on dry cleaning and laundry; therefore, his competitors there are not faced with the expense of collecting sales taxes. This situation puts his company at a double disadvantage. He said that his company has reached a threshold that now requires him to pay sales tax in advance. Although payment of sales tax in advance improves the state's cash flow, it subtracts from his business' cash flow and, in addition, adds to his overall expenses. (Attachment 6)

Don McNeely, Kansas Automobile Dealers Association, gave final testimony in support of **SB 38**. He noted that the bill recognizes the fact that compliance with state regulations in the area of sales tax collections is not a simple and cost free exercise by retailers. He commented that new car dealers are particularly impacted by this issue since they are one of the largest collectors of sales taxes in the state. He pointed out that new regulations requiring that retailers with large sales tax collections pre-pay sales taxes will cost retailers the loss of use of their own money. (Attachment 7)

Senator Donovan, who requested the introduction of **SB 38**, commented that the current trend of remitting sales taxes to the Department of Revenue by electronic transfer is a plus for the Department because the funds are received much faster than in the past. In his opinion, this is a plus which is not addressed in the fiscal note prepared by the Division of the Budget, which indicates that passage of the bill would result in substantial decrease in the State General Fund and the State Highway Fund (\$23.7 million). He observed, "When you send millions of dollars a month to an entity which they can immediately have, that has value." He reiterated that the Division of Budget's fiscal note is extremely high and maintained that acceleration in collections will benefit the state to the point that the fiscal note will be next to nothing.

Chris Courtwright, Legislative Research Department, agreed with Senator Donovan that there is an opportunity to gain relative to the acceleration of revenues which may not have been contemplated in the Consensus Revenue Estimate. He commented that, if additional funds do come in, there will be a potential adjustment to the Consensus Revenue Estimate in April. He also commented that, because it represents an acceleration, it is a one-time event which would occur in fiscal 2000 and 2001 only.

Richard Cram, Kansas Department of Revenue, stood in response to committee questions regarding the fiscal impact of the bill. He felt that there was a misconception regarding the Department's recent acceleration of payment schedules. He explained that the acceleration law was implemented in the 1980s. Last October, the Department updated its list of persons who should be filing more frequently. The Department has not determined what the one-time increase in revenue resulting from that update will be. He also noted that the fiscal note on the bill was prepared as if the two percent credit for remitting sales tax returns was applied across the board to both state and local sales tax revenue. However, **SB 38** applies only to state sales tax; therefore, the fiscal note needs to be corrected. Mr. Cram agreed to recalculate the fiscal note and present it to the Committee at a future meeting.

E. Dean Carlson, Secretary of Transportation, testified in opposition to **SB 38**. He said that he felt obligated to point out bills which have the potential to impact the revenues available for the Comprehensive Transportation Program. He commented that this the fourth time he has testified this year on bills that will take money from KDOT's ten year stream of income. He noted that the Legislature passed a program in 1999

to provide a certain level of highway improvements in the state and listed major modifications which the Department of Transportation agreed to perform. He stated that his purpose in testifying was to place on record that KDOT is getting close to not being able to provide the Comprehensive Transportation Program and is opposed to any further erosion of projected revenues which will make the very thin margin between success and failure of the Program even thinner. (Attachment 8)

There being no others wishing to testify, the hearing on **SB 38** was closed. Senator Corbin noted that Mr. Cram would return to answer committee questions which arose during the hearing and that the fiscal note would be revised. The Committee will continue consideration of the bill when all the information is available.

### **SB 106—Sales Taxation; exempting certain sales of clothing and computers.**

Marlee Carpenter, Kansas Chamber of Commerce and Industry, testified in support of **SB 106** on behalf of the Kansas Retail Council (KRC). She explained that the sales tax holiday proposed by KRC would exempt state sales tax only the first Saturday and Sunday of August to provide relief to families for back-to-school shopping. She reported that the National Retail Federation indicates that the average family spends approximately \$250 on back-to-school shopping. She acknowledged that the fiscal note on the bill is large, but emphasized that other states which enacted a sales tax holiday overestimated the effect it would have on revenues. She discussed the factors which account for the overestimates and reported that states which have enacted a sales tax holiday have experienced an enormous increase in sales during the sales tax holiday period. She pointed out that a sales tax holiday is especially important in boarder communities. (Attachment 9)

Curtis Sneden, Payless ShoeSource, Inc., testified in support of **SB 106**. He noted that footwear is a costly part of the household budgets of families with growing children and that a sales tax holiday for footwear will help families add to their personal savings or will provide extra funds for other critical expenditures. Payless ShoeSource operates in six states with sales tax holidays, and customers in those states have been pleased with the opportunity to forego the state sales tax during a back-to-school time period. Mr. Sneden informed the Committee that the budgetary impact of the legislation in all six states was not as large as originally projected, nor was it the operational nightmare for retailers originally contemplated. (Attachment 10)

Senator Donovan commented that the fiscal note on **SB 106** indicates that a one-weekend time limit on the sales tax exemption would result in a loss to state revenues equal to one month's retail sales tax receipts. In his opinion, that formula does not reflect the correct fiscal impact. He believes the fiscal impact would be less. Mr. Sneden agreed, noting that Payless stores in states with sales tax holidays have not experienced that much of a "bump" in sales during the holiday period.

Jeff Levin, co-owner of Varney's Book Store in Manhattan, testified in support of **SB 106** as a member of the Kansas Retail Council. He noted that 67 percent of Kansas counties have a close proximity to another state, and what the surrounding states adopt as tax policy has an impact on Kansas. He believes that the bill is a small step to help offset competitive pressures, and it will create a stimulus for the Kansas economy. (Attachment 11)

There being no others wishing to testify, the hearing on **SB 106** was closed.

The meeting was adjourned at 11:40 a.m.

The next meeting is scheduled for February 6, 2001.

# SENATE ASSESSMENT AND TAXATION COMMITTEE GUEST LIST

DATE: February 5, 2001

NAME	REPRESENTING
Mike Reecht	AT&T
DAVE UNRUH	UNRUH AUTOMOTIVE, WIBA, KOPE
Pete Schrey from our	Thompson Supply WBA
Natalie Bright	Wichita Independent Bus. Association
Jeff Levin	Kansas Retail Council
Mark Carpenter	KCAI
BUD GRANT	KS MERCHANTS SECURITY ASSN
Larry Kleeman	LKM
Ann Tucker	DOB
Mark Jay Smith	KMHA
Hal Hudson	NFIB/KS
CHARLIE GREGOR	HEAVENWORTH-WANSING AREA CHAMBER OF COMMERCE
ROSS MARKLE	NFIB/KS + HARRIS BRDS CLEANER
MARK A. BURGHART	WESTERN ASSN.
BILL BRADY	KS Gas + Consulting / Payless Stores
CURTIS S. SNELEN	PAYLESS STORE SOURCE
John Peterson	Payless Store Source
DON McNEELY	KANSAS AUTO DEALERS ASSN.
Whitney Damron	KS Auto Dealers Assn.





EXECUTIVE DIRECTOR  
JIM SHEEHAN  
Shawnee Mission

**SENATE ASSESSMENT & TAX COMMITTEE SUPPORTING SB 38**

**OFFICERS**

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Emporia

**ASST. TREASURER**  
JOHN CUNNINGHAM  
Shawnee Mission

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LEONARD McKINZIE  
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CLIFF O'BRYHIM  
Overbrook

J. R. WAYMIRE  
Leavenworth

BILL WEST  
Abilene

**DIRECTOR OF  
GOVERNMENTAL AFFAIRS**

FRANCES KASTNER

I am Frances Kastner, Director of Governmental Affairs for the Kansas Food Dealers Association. Our members include manufacturers, distributors and retail food dealers throughout the State.

Information from the Revenue Department last week noted that 41.7% of ALL the taxes collected comes from the Sales Tax and is sent to them by the Kansas merchants at NO COST TO THE STATE.

Retailers are obligated to collect the sales tax and are required to pay the amount of tax due even if they fail to collect it because they believe the customer has a valid sales tax exemption certificate.

Kansas retailers have been collecting sales tax for the state since 1937. We believe it is important that legislators recognize the added expense to merchants and allow the 2% credit on their transmission of the tax they collect. The bill limits the amount to \$1000 and that is at least a start in the right direction.

Kansas is one of the four states involved in a pilot program to collect sales tax from E-commerce, which includes soliciting volunteer merchants to participate in the program. The Third Party Service Provider will get to keep a percentage of the sales tax they collect and it is anticipated that the merchants who participate in this program will receive a monetary incentive.

Since E-commerce retailers are in competition with the brick and mortar home-town businesses, there should be some compensation to the Kansas merchants who have been collecting sales tax for nearly 65 years at no cost to the State.

We urge you to SUPPORT SB 38. Thank you for the opportunity to appear before you today and I will be happy to answer any questions you may have.

Frances Kastner Director  
Governmental Affairs KFPA

# LEGISLATIVE TESTIMONY



*The Unified Voice of Business*

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SB 38

February 5, 2001

## KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

Senate Assessment and Taxation Committee

by

Marlee Carpenter  
Executive Director, Kansas Retail Council

Mr. Chairman and members of the Committee:

My name is Marlee Carpenter and I am the Executive Director of the Kansas Retail Council as well as the Director of Taxation and Small Business for the Kansas Chamber of Commerce and Industry. I am here today in support of SB 38, which would provide a vendor allowance to retailers who collect and remit sales tax to the state.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 2,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 48% of KCCI's members having less than 25 employees, and 78% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

Senate Bill 38 provides a 2 percent credit for the collection of sales tax with a \$1,000 cap per month. The 2 percent credit will be very helpful to retailers and addresses a substantial problem in the sales tax collection system. However, the 2 percent proposed by this legislation is below the

*Senate Assessment & Taxation  
2-5-00 Attachment 2*

Large cost to a Kansas retailer to collect and remit this tax. A 1993 Price Waterhouse study, commissioned by the Kansas Retail Council revealed the collection and remittance costs in Kansas average 2.86 percent. The Price Waterhouse study is attached to my testimony.

All of the states that surround Kansas provide retailers an administrative or vendor allowance. Also attached to my testimony is a 2001 list of the 45 states that have a sales tax, if they have a vendor allowance and what that allowance is. Additionally, Kansas provides the retailers of Missouri, Oklahoma, Nebraska and Colorado an allowance for the collection of Kansas' 4.9 percent use tax. The amount of compensation for these states ranges from 3.33 percent to 2.25 percent.

Opponents to the vendor allowance have argued that instead of a fee for collecting sales tax, retailers have the use of the money collected for a period of time before they must remit it back to the state. Kansas has accelerated the remittance of sales tax <sup>period</sup> several times over the past 10 years. In many instances, retailers must remit the full sales tax before it is even collected.

Bankcards and charge cards also pose a collection problem for retailers in remitting sales tax. Processing or bankcard fees for collecting the sales tax on credit card sales range from 1.5 percent to 5 percent per transaction. In effect, retailers are paying fees to banks and other processors for collecting Kansas' sales tax and are not reimbursed for these expenses. Additionally, when credit card sales are made, the credit card companies may not reimburse the retailer until after the sales tax payment is required by the state. This may pose a cash flow problem for many retailers.

The Kansas Retail Council and the Kansas Chamber of Commerce and Industry thank you for taking the time to hear this bill and urge your support of SB 38. I will be happy to answer any questions.



# KANSAS RETAIL COUNCIL

## Estimate of the Costs to Retailers of Collecting Sales and Use Taxes in Kansas

January 26, 1993

*Price Waterhouse*



*Price Waterhouse*



January 26, 1993

Mr. Bud Grant  
Executive Director  
Kansas Retail Council  
500 Bank IV Tower  
One Townsite Plaza  
Topeka, KS 66603

Dear Mr. Grant:

We are pleased to present our estimate of the costs that retailers incur when collecting sales taxes for the state of Kansas. The estimate is based on a nationwide study that we conducted in 1990 and has been updated to reflect subsequent changes in sales, prices, and wages. In addition, from information supplied in interviews with retailers in Kansas, we refined our national model to reflect the policies and procedures of retailers in the state.

If you have questions regarding any aspect of the report, please call Dr. Fredric Laughlin or Mr. Charles Samuelson at (202) 296-0800.

Very truly yours,

*Price Waterhouse*

This report conveys the findings of our study to estimate the costs that retailers incur when collecting and remitting sales taxes<sup>1</sup> for the state of Kansas. Forty five states and the District of Columbia levy a sales tax on retail sales. The consumer pays the tax at the time he or she makes the purchase. The retailer collects the sales tax and remits it to the state. The retailer incurs costs when collecting sales taxes from consumers on behalf of the state. In 1990, we conducted a study to estimate the average collection costs nationwide. This national study drew on site visit data, responses from almost 1,000 retailers, and a computer model to perform the detailed cost calculations.

To tailor our national study to the state of Kansas, we:

- Refined a few of the model parameters (e.g., sales tax rate, percentage of taxable sales to total)
- Updated sales and cost data
- Tested the cost profile assumptions used in our national study by interviewing retailers in Kansas

**A. Changes to the Model**

We developed our estimate of the cost of collecting sales taxes in Kansas by updating and tailoring our 1990 national model to reflect changes in sales, wages, and non-wage costs since we collected the data. We also added an estimate of the costs of collecting and remitting sales taxes that are associated with the use of proprietary credit. Exhibit 1 summarizes these changes.

**B. Results**

Using 1990 data, our model estimates that the national average cost of collecting sales taxes is 3.48 percent of sales tax liability. As shown in Exhibit 1, our model estimates the cost of collecting sales taxes in Kansas is approximately 3.42 percent of sales tax liability. After adjusting the model for the impact of changes identified in Section A above, costs as a percentage of sales tax liability in Kansas decrease to 2.86 percent.<sup>2</sup> The new model's estimate of costs as a percentage of sales tax liability is lower than in the national model because the increase in the value of retail sales and sales tax liability is greater than the increase in wages and other costs.

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<sup>1</sup> Throughout this report, the term sales tax refers to both sales and use tax.

<sup>2</sup> Because the calculation required multiple runs of the model for each state in the nation, we did not develop an updated national estimate of the cost as a percentage of sales tax liability.

# Adjustments Made to National Model to Incorporate More Recent Data

<b>TOTAL FOR KANSAS USING DATA FROM NATIONAL MODEL</b>	<b>3.42%</b>
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<b>Adjustment</b>	<b>Role in Model</b>	<b>Percentage increase*</b>	<b>Impact on Costs as a Percentage of Sales Tax Liability</b>
Retail Sales	Estimates aggregate retail sales volume in Kansas	27.2%	Decrease
Wages	Estimates the wage costs of conducting the activities required to collect and remit sales taxes	9.9%	Increase
Other Costs	Estimates the non-wage costs of conducting the activities required to collect and remit sales taxes	14.4%	Increase
Proprietary Credit	Estimates the cost of conducting sales tax-related activities used for proprietary credit operations	n/a †	Increase

<b>TOTAL FOR KANSAS USING UPDATED DATA</b>	<b>2.86%</b>
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\* Since 1990 study.

† This category of costs was not computed in the original study.

To help determine how our findings can change when we change some of the assumptions in our model, we have conducted a sensitivity analysis. In our sensitivity analysis, costs as a percentage of sales tax liability decrease to 2.51 percent when we increase sales by 20 percent and increase to 3.39 percent when we decrease sales by 20 percent. Likewise, costs as a percentage of sales tax liability increase to 3.01 percent when we increase wages by 20 percent and decrease to 2.71 percent when we decrease wages 20 percent. The data in Exhibit 2 show how our sensitivity analysis affects the cost per \$100 of sales tax collected.

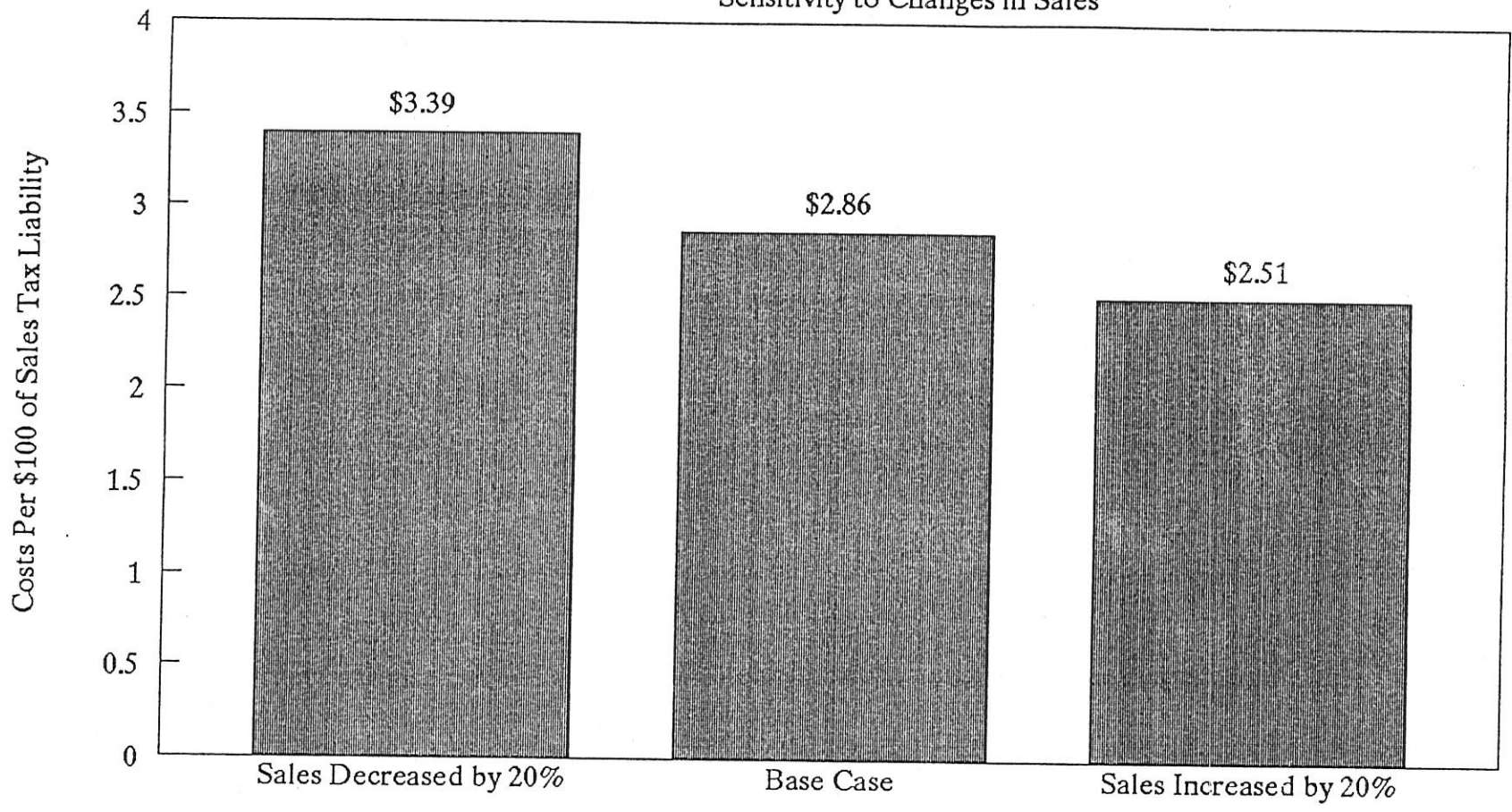
The data in our model indicate that costs vary greatly across retailer types and even among retailers of the same type. Factors that can drive retailers' costs include:

- Average transaction size (number of items per transaction) -- The greater the number of items in a transaction, the greater the cost of processing that transaction
- Average transaction value (dollar value per transaction) -- A transaction with a small dollar value requires the same processing costs as a transaction with a larger dollar value. The data we collected show the average transaction value in a large store tends to be smaller than the average transaction value in a mid-sized store
- Retailer size (dollar value of sales) -- The data in our model indicate that costs as a percentage of sales tax liability vary between different sized retailers. In general, large retailers with multiple outlets have lower costs as a percentage of sales tax liability than small stores for two reasons: first, because there is a fixed amount of effort that must go into completing any tax return and for large retailers this effort is the smallest part of their total work and second because larger retailers can enjoy economies of scale and scope to perform a particular task for stores at several locations
- Percentage of taxable sales -- Any business must incur certain fixed costs to give it the capability to remit sales taxes to the government. As a retailer's percentage of taxable sales decreases, its costs as a percentage of sales tax liability will increase. In general, stores with a higher percentage of taxable sales incur a relatively lower cost as a percentage of sales tax liability than stores with a lower percentage of taxable sales

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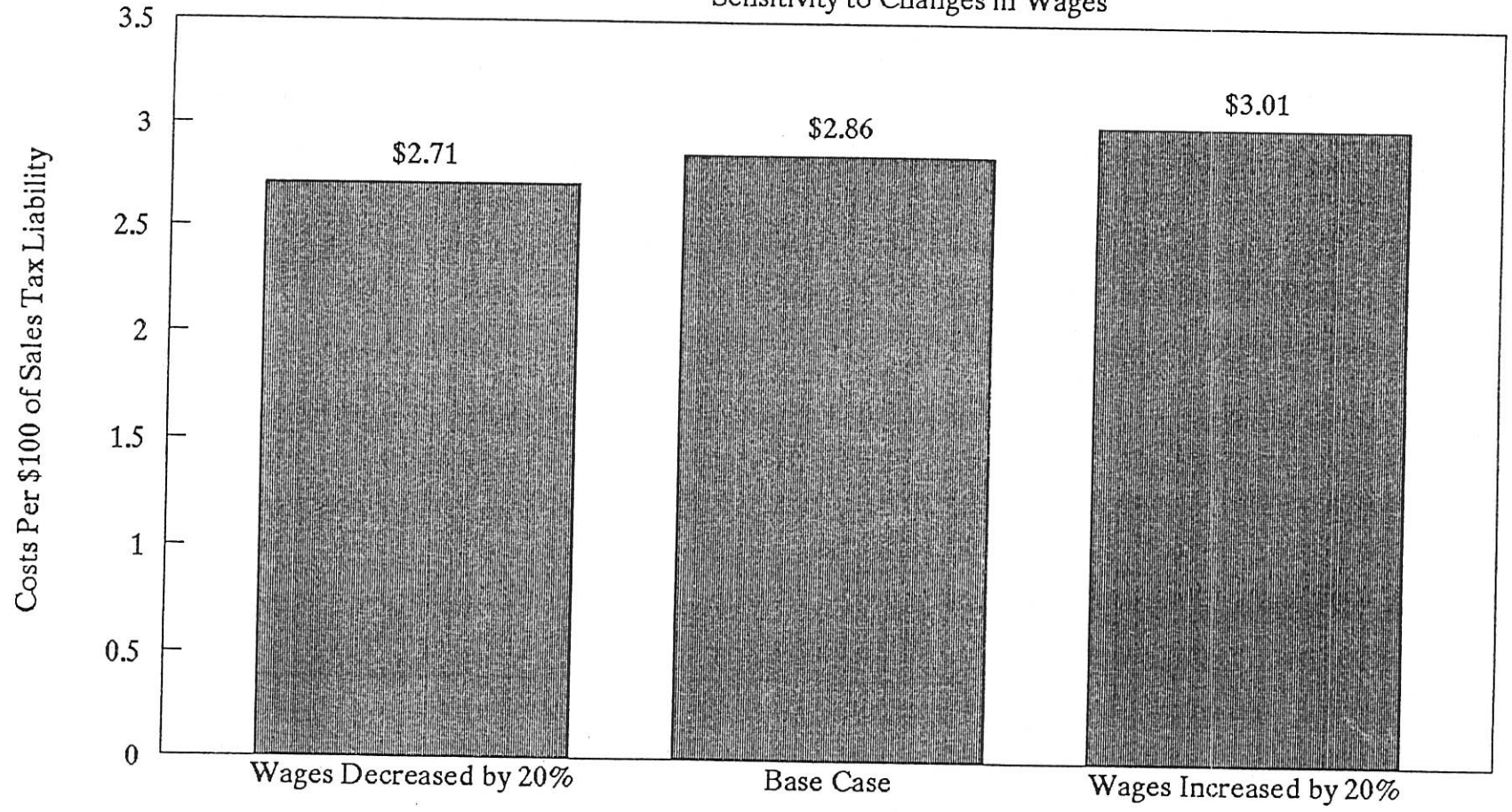
# SALES TAX COSTS IN KANSAS

Sensitivity to Changes in Sales



# SALES TAX COSTS IN KANSAS

Sensitivity to Changes in Wages



- Use of proprietary credit -- It is more expensive for stores to remit sales taxes for purchases made with commercial credit cards (e.g., Visa or Mastercard) than purchases made with proprietary credit.<sup>3</sup> Stores that rely more on proprietary credit incur lower costs than stores that rely more on the use of commercial credit cards
- Automation -- Certain businesses, because they rely on high value, low volume sales, are more likely to use manual cash registers. The relatively high cost of manual processing will result in a greater cost as a percentage of sales tax liability for those businesses that employ lower technology in their stores. For example, furniture stores rely on manual processing more than any other type of retailer in our study. Stores with a relatively high level of automation incur lower costs as a percentage of sales tax liability than comparable stores that rely on manual processing
- Deliveries and Returns -- Retailers who deliver purchases to an address outside their own taxing jurisdiction must ensure that the proper sales taxes are paid to the taxing jurisdiction in which the purchase is made. Likewise, retailers who accept returns for purchases made in a different taxing jurisdiction must credit the sales taxes that it paid in the purchasing jurisdiction. Retailers who encounter these jurisdictional issues incur relatively higher costs as a percentage of sales tax liability than retailers who operate solely within one taxing jurisdiction

From the data we collected, transactions in some large stores include fewer items and have a lower average value than transactions in mid-sized stores. This means that large stores must process more transactions than mid-sized stores to generate the same \$100 in sales (or sales tax liability). This increased number of transactions increases the cost of processing for some of the larger retailers.

### C. Conclusions

Based on the analysis described above, we estimate that it costs retailers in Kansas \$2.86 to collect every \$100 in sales tax.

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<sup>3</sup> This is because commercial credit card fees relate to the total price (including sales tax). There are no fees (but there are costs) associated with collecting sales taxes for the use of proprietary credit cards. Our model assumes that the cost of proprietary credit operations is equal to the cost of commercial credit card operations minus an imputed profit that commercial credit card companies earn on each transaction. For example, if there is a 6 percent sales tax, a 4 percent commercial credit card fee, and a \$10.00 sale, the commercial credit card fee is \$0.424 (4 percent of \$10.60). If the retailer did not have to collect any sales tax, the credit card fee would be \$0.40. The retailer incurs the \$0.024 (\$0.424 minus \$0.40) cost solely because the state has imposed a sales tax.



# Sales Tax Rates and Vendor Discounts

January 1, 2000

STATE	SALES TAX RATE	RANK	VENDOR DISCOUNT	MAX/MIN
ALABAMA	4.0%	37	5.0%-2.0% (1)	
ALASKA		N/A		
ARIZONA	5.0%	19	1.0%	\$10,000/year (max)
ARKANSAS	4.625%	34	2.0%	\$1,000/month (max)
CALIFORNIA	6.0%	8	None	
COLORADO	3.0%	46	3.33% (6)	
CONNECTICUT	6.0%	8	None	
DELAWARE		N/A		
FLORIDA	6.0%	8	2.5%	\$30/report (max)
GEORGIA	4.0%	37	3.0%-0.5% (1)	
HAWAII	4.0%	37	None	
IDAHO	5.0%	19	None (7)	
ILLINOIS (5)	6.25%	6	1.75%	\$5/year (min)
INDIANA (2)	5.0%	19	1.0%	
IOWA	5.0%	19	None	
KANSAS	4.90%	32	None	
KENTUCKY	6.0%	8	1.75%-1.0% (1)	
LOUISIANA	4.0%	37	1.1%(8)	
MAINE (9)	5.5%	18	None (7)	
MARYLAND	5.0%	19	1.2%-0.9% (1)	
MASSACHUSETTS	5.0%	19	None	
MICHIGAN	6.0%	8	0.5%	
MINNESOTA	6.5%	3	None	
MISSISSIPPI (2)	7.0%	1	2.0%	\$50/month (max)
MISSOURI	4.225%	36	2.0%	
MONTANA		N/A		
NEBRASKA	5.0%	19	2.5%-0.5% (1)	
NEVADA	6.5%	3	1.25%	
NEW HAMPSHIRE		N/A		
NEW JERSEY	6.0%	8	None	
NEW MEXICO	5.0%	19	None	
NEW YORK	4.0%	37	3.5%	\$85/month (max)
NORTH CAROLINA	4.0%	37	None	
NORTH DAKOTA	5.0%	19	1.5%	\$255/quarter (max)
OHIO	5.0%	19	0.75%	
OKLAHOMA	4.5%	35	2.25%	\$3,000/month (max)

STATE	Tax Rate	Count	Discount	Notes
OREGON		N/A		
PENNSYLVANIA	6.0%	8	1.0%	
RHODE ISLAND	7.0%	1	None	
SOUTH CAROLINA	5.0%	19	3.0%-2.0% (1)	\$3,000/year (max)
SOUTH DAKOTA	4.0%	37	None	
TENNESSEE	6.0%	8	2.0%-1.15% (1)	\$25/report (max)
TEXAS	6.25%	6	0.5% (3)	
UTAH	4.75%	33	1.5%	
VERMONT	5.0%	19	None (7)	
VIRGINIA	3.5%	45	4.0%-2.0% (4)	
WASHINGTON	6.5%	3	None	
WEST VIRGINIA	6.0%	8	None	
WISCONSIN	5.0%	19	0.5%	
WYOMING	4.0%	37	None	
DIST. OF COLUMBIA	5.75%	17	1.0% (3)	\$5,000/month (max)
U. S. MEDIAN	5.0%		2.0%-1.5% (1)	28 states allow vendor discounts

Source: Compiled by FTA from various sources.

(1) In some states, the vendors' discount varies by the amount paid. In AL and SC, the larger discounts apply to the first \$100. In GA and NE, the larger discount applies to the first \$3,000. In TN and KY, the larger discounts apply to the first \$2,500 and \$1,000, while MD applies the larger discount to annual collections of \$6,000. The lower discounts apply to the remaining collections above these amounts.

(2) Utilities are not permitted to take discount.

(3) An additional discount of 1.25% in TX.

(4) Discount varies; 4% of the first \$62,500, 3% of the amount to \$208,000, and 2% of the remainder.

(5) 1.25% of the tax in IL.

(6) Vendor discount applies to the state taxes collected. Discount for local option sales tax varies from 0% to 3.33%.

(7) Vendors are allowed to keep any excess collections prescribed under the bracket system.

(8) The vendors discount is scheduled to increase to 1.5% on July 1, 2001 in Louisiana.

(9) Tax rate scheduled to decrease to 5.0% effective 7/1/00.



**Wichita Independent Business Association**

*THE VOICE OF INDEPENDENT BUSINESS*

David Unruh  
Owner, Unruh Automotive Service  
Chairman, Wichita Independent Business Association

**TESTIMONY IN FAVOR OF SB 38**  
**Allowing remittance credits for collection of Sales Tax**

Good morning Mr. Chairman and committee members. Thank you for the opportunity to appear before you in support of SB 38.

My name is Dave Unruh and I am the owner and CEO of Unruh Automotive Service, Inc. Our company, founded in 1947, currently has four automotive repair locations and one collision repair facility. We currently have a total of twenty-six employees. I am also appearing before you on behalf of the Wichita Independent Business Association (WIBA) and the Kansas Organization for Private Enterprise (KOPE), where I currently serve as Chairman of the Board for both of these organizations. WIBA, an organization founded in 1931 by local grocers, today represents over 1,200 businesses in over 250 different industries in the Wichita Metro Area. KOPE is a new organization that was formed in March 2000, to allow WIBA to extend its benefits and services to independent businesses across the state of Kansas. Currently, KOPE has 150 members from all four corners of the state.

I am pleased you are holding a hearing on SB 38. As the owner of a Kansas retail establishment, I am currently required to collect and remit sales tax to the State of Kansas without being compensated for my services. My support for SB 38 is based upon the following:

- Approximately 12 hours per month are spent in tracking and tabulating the tax.
- The imposed obligation to manage the collection and timely remittance of state tax revenues is onerous. In my case, the annual amount is in excess of \$133,000.
- The filing frequency requirement results in my paying sales tax before I have collected the tax from my account receivables on a normal billing cycle.
- Though it would not fully compensate my business for the collection services, it would help offset the cost.
- Will bring equity because states surrounding Kansas have already enacted such legislation.
- Finally, it will certainly bring a feeling of fairness to the table.

In closing, I would like to share with you that both WIBA and KOPE support the passage of SB 38. Thank you for the opportunity to appear before you today. I would be happy to answer any questions you might have for me.

*Senate Assessment & Taxation  
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Attachment 3*



KANSAS

**TESTIMONY  
OF  
HAL HUDSON  
Kansas State Director – National Federation of Independent Business  
Before the Senate Assessment and Taxation Committee  
Monday, February 5, 2001  
On  
Senate Bill 38**

Mr. Chairman and members of the committee: My name is Hal Hudson, and I am the State Director for the 7,00-member Kansas Chapter of the National Federation of Independent Business. Thank you for this opportunity to appear in support of enactment of Senate Bill 38.

This issue's time has come for serious consideration by the Legislature.

The collection of sales tax is a time consuming burden for small retailers, which exposes them to risks of penalties and costly fines if they make a mistake. Yet, in Kansas, the state does not recognize the burden imposed by allowing vendors to retain even a small portion of the taxes collected as compensation for serving as one of the state's major tax collectors.

In this respect, Kansas looks like the hole in the donut. All four of the neighboring states that border Kansas allow vendor discounts. In fact, 26 states and the District of Columbia all allow vendor discounts.

STATE	SALES TAX RATE	RANK	VENDOR DISCOUNT	MAX/MIN
Colorado	3.0%	46	3.33% (6)	None
<b>Kansas</b>	<b>4.90%</b>	<b>32</b>	<b>None</b>	
Missouri	4.225	36	2.0%	None
Nebraska	5.0%	19	2.5%-0.5% (1)	
Oklahoma	4.5%	35	2.25%	\$3,000/mo. maximum

- (1) The larger discount applies to the first \$3,000.
- (6) Vendor discount shown applies to the state taxes collected. Discount for local option sales tax varies from 0% to 3.33%.

*Senate Assessment & Taxation  
2-5-01  
Attachment 4*

**K.S.A. 79-3606** occupies all or part of six pages in the statute book of sales tax exemptions enacted by the legislature. Vendors who are required to collect sales tax are expected to know of all of these exemptions, and to follow the law. They must know which products or services are exempt. They must maintain records of all the various entities that have been granted tax-exempt status. And they must get it right, or be penalized.

To expect vendors to take on this responsibility and liability without compensation simply is unjust and unfair. The time has come to recognize the work these tax collectors perform for the state, and to justly compensate them for their efforts. I urge you to enact Senate Bill 38.

I appreciate your consideration of this issue, and will stand for questions. Thank you.

*With 7,000 members statewide and 600,000 throughout the U.S., the National Federation of Independent Business (NFIB) is the largest small-business advocacy group in Kansas and in the nation. A nonprofit, nonpartisan organization founded in 1943, NFIB represents the consensus views of its members before legislative bodies in all 50 states and in Washington D.C. More information is available online at [www.nfib.com](http://www.nfib.com).*

Hal Hudson, Kansas State Director  
National Federation of Independent Business  
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# National Federation of Independent Business

## Kansas

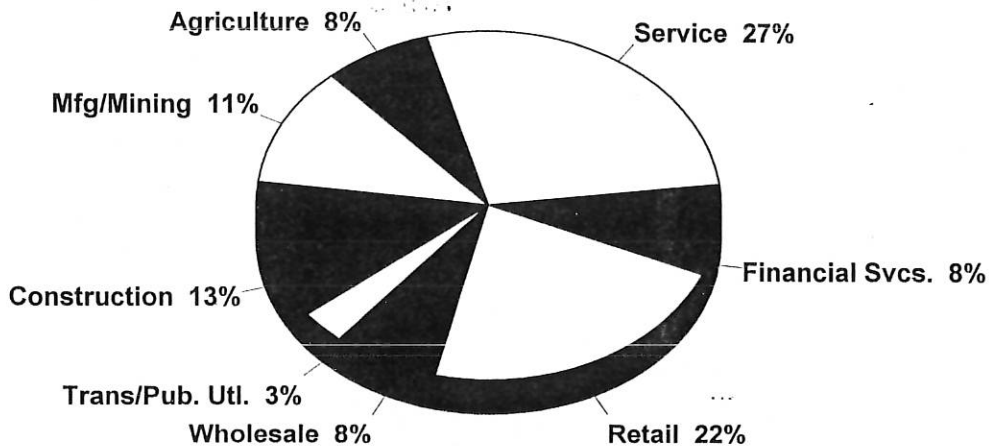
### About NFIB-Kansas

Since 1943, business owners from all walks of commercial life have joined the National Federation of Independent Business to have a powerful, united voice in government decision making. Today, NFIB's Kansas chapter has more than 7,000 members, making it the largest small-business advocacy group in the state.

Each year, NFIB-Kansas polls its entire membership on a variety of state legislative and regulatory issues. The federation uses the poll results to set its legislative agenda and aggressively promotes those positions approved by a majority vote.

This democratic method of setting policy assures that the positions advanced by NFIB reflect the consensus view of the entire small-business community rather than the narrow interests of any particular trade group. Lawmakers wanting to know how proposed legislation and regulation will affect Main Street businesses can get the authoritative answer from NFIB's legislative office in Topeka.

### NFIB-Kansas by Industry Classification

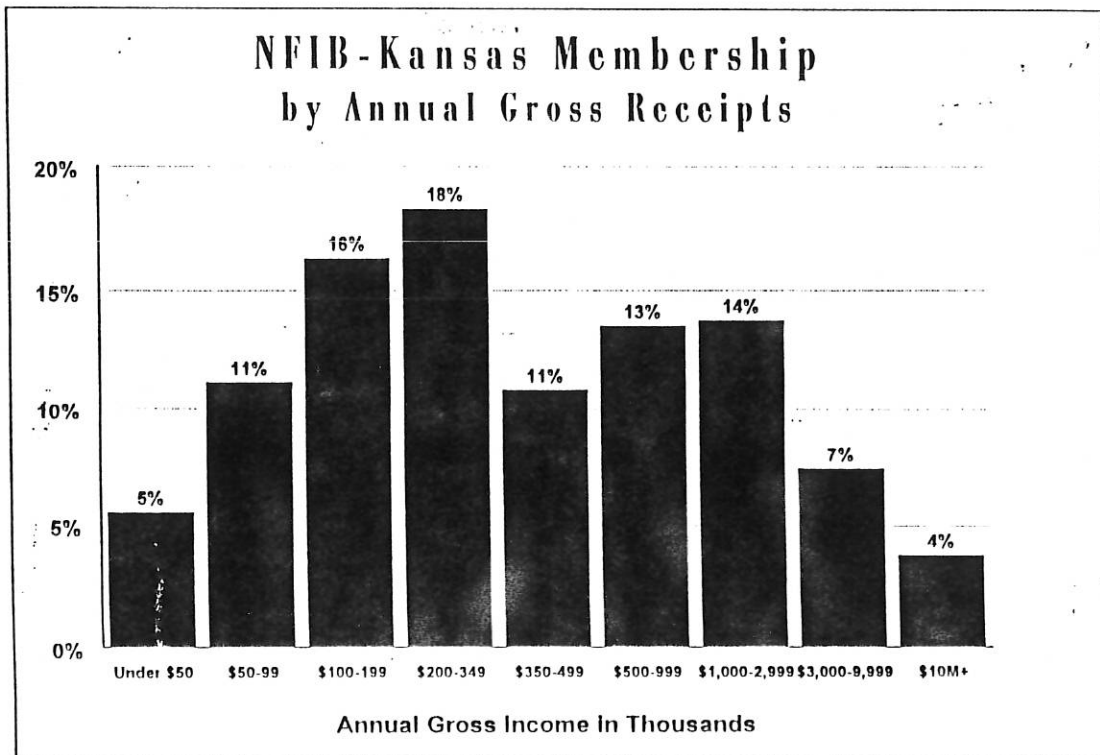
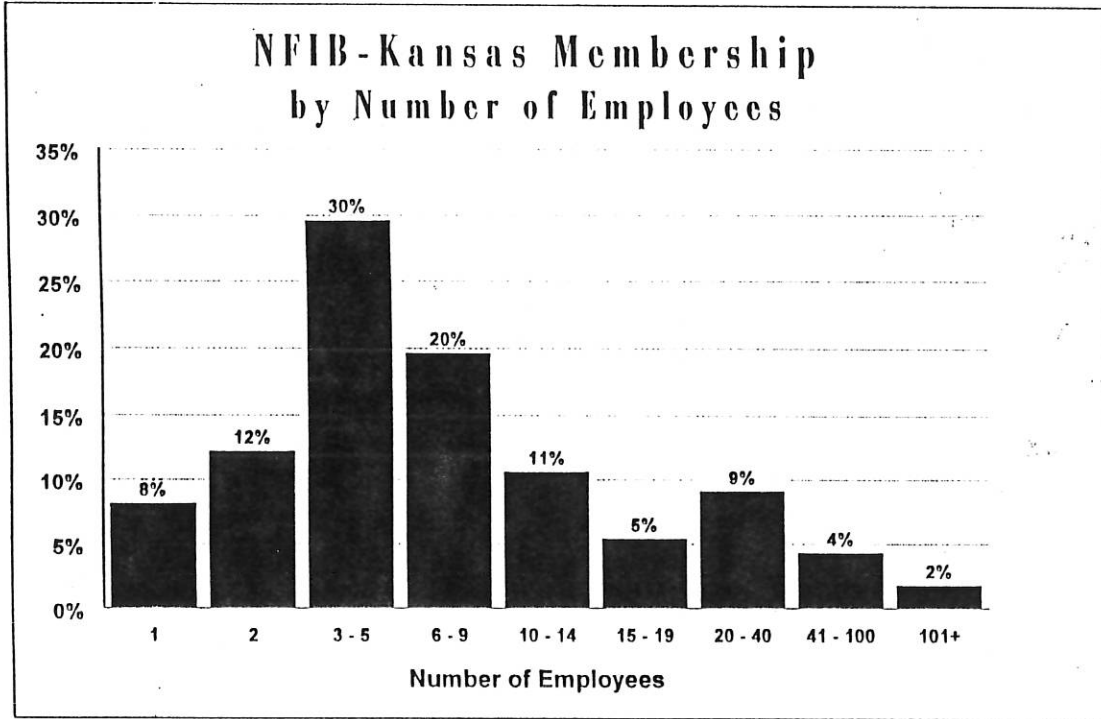


...and NFIB works for small business.

Hal Hudson, Kansas State Director  
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Tel. 785/271-9449 - Fax. 785/273-9200 - E-mail: hal.hudson@nfib.org

# NFIB-Kansas Membership Profile

NFIB-Kansas represents the entire spectrum of independent business, from one-person home-based operations to enterprises employing more than 100 people. The typical NFIB-Kansas member is quite small, employing six workers and ringing up gross sales of about \$340,000 per year. Yet, in aggregate, the membership is a potent economic force, employing more than 110,000 and earning about \$8 billion (gross) annually.



4-4



# Leavenworth-Lansing Area Chamber of Commerce

**TESTIMONY**  
**CHARLES H. GREGOR, JR.**  
**EXECUTIVE VICE PRESIDENT**  
**LEAVENWORTH-LANSING AREA CHAMBER OF COMMERCE**  
**Monday, February 5, 2001**  
**before the**  
**Senate Assessment and Taxation Committee**  
**on**  
**Senate Bill 38**

Mr. Chairman, Members of the Committee: I am Charlie Gregor, Executive Vice President of the Leavenworth-Lansing Area Chamber of Commerce, representing five hundred and twenty two members of that Chamber of Commerce. I very much appreciate the opportunity to come before you in support of Senate Bill 38.

Senate Bill 38 provides the opportunity to right what is essentially a wrong. Currently our business members expend considerable resources collecting, processing, and remitting sales tax revenue to the Department of Revenue of the State of Kansas. The expenditure of resources, both in terms of money and time, is considerable, involving many hours of work and expenditure of administrative supplies. A majority of the states and the District of Columbia have recognized that the costs involved, as well as the administrative burden on businesses demands compensation, at least in part. SB 38 provides that compensation and rights the wrong inherent to a system that does not provide such compensation.

Clearly, the State of Kansas and its Department of Revenue recognize the need for compensation for resources spent in collection, processing and disseminating such revenue. An excellent example is the Department of Revenue's handling of the transient guest tax that is used by local Conventions and Visitors Bureaus (CVBs) to market their cities/areas to attract tourism, bus tours, conventions, conferences and similar activities. This tax is designed to be a "pass through" tax. It is collected by local hotels and motels and forwarded to the Department of Revenue of the State of Kansas where it is administratively processed and returned to the city or other taxing entity for use by the local CVB. The amount returned to the local taxing entity is accompanied by the statement that the amount returned to the city is X number of dollars "...less 2% administrative cost".

The cost of receiving, processing and disseminating funds, be it to compensate for an accountant's or business owner's time and administrative costs, the cost of purchasing an instrument to convey the money involved, and related costs, is no less for a business than for the State. The State charges 2%. This, with the monthly cap, is fair. What's good for the goose is good for the gander.

Thank you for the opportunity to come before you. I will attempt to respond to any questions or comments you have.

----- end of statement -----





# Harris Bros. Cleaners, Inc.

501 South Fifth Street • Leavenworth, Kansas 66048 • (913) 682-3535

**TESTIMONY OF ROSS E. MARKLE  
PRESIDENT, HARRIS BROTHERS CLEANERS  
LEAVENWORTH, KANSAS  
before the  
Senate Assessment and Taxation Committee  
February 5, 2001**

Mr. Chairman, members of the Committee, my name is Ross Markle. I am president of Harris Brothers Cleaners, with operations in Leavenworth, Fort Leavenworth, Atchison, and Lansing. I am also chairman of the NFIB/Kansas Leadership Council. I thank you for the opportunity to appear before you today to speak as a proponent of Senate Bill 38 which will allow vendors who are required to collect sales tax for the State of Kansas to keep a small portion of those collections as compensation for the work done on behalf of the State.

As you know, all of the states surrounding Kansas allow vendors a discount on the sales tax they collect. For my business, which is located just across the river from Missouri, the collection of sales taxes is a cost that is not an issue for my competitors just a few miles away in Missouri. Missouri does not charge a tax on dry cleaning and laundry and my competitors therefore are not faced with the expense of collecting such a tax. This situation puts my company at a double disadvantage.

Recently my company reached a threshold that now requires us to pay sales tax in advance. In a business that is seasonal, cash flow is very important. This recent change improves the State's cash flow but subtracts from our cash flow. It also adds to our overall expenses.

On behalf of all the businesses of the State of Kansas that collect taxes for the State, I urge you to give favorable consideration to enactment of Senate Bill 38.

Thank you. I will be happy to respond to any questions you may have of me on this issue.

End of Testimony

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Attachment 6



**KANSAS AUTOMOBILE DEALERS ASSOCIATION**

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**TESTIMONY**

**TO: The Honorable David Corbin, Chairman  
And Members Of The  
Senate Committee on Assessment and Taxtion**

**FROM: Don McNeely, President  
Kansas Automobile Dealers Association**

**RE: SB 38 - Sales Tax; Allowing Remittance Credits for  
Collection Services.**

**DATE: February 5, 2001**

Good morning Chairman Corbin and Members of the Senate Committee on Assessment and Taxation. I am Don McNeely, President of the Kansas Automobile Dealers Association, and I am pleased to appear before you today in support of SB 38 that authorizes a two percent credit for retailers for their work collecting sales taxes for the State of Kansas, capped at \$1,000.00 per month. KADA is a state trade association representing 271 franchised new car and truck dealers in our state.

SB 38 recognizes the fact that compliance with state regulations, particularly in the area of sales tax collections, is not a simple and cost-free exercise by retailers. Accordingly, they should be compensated at some level for their collection efforts undertaken on behalf of state and local governments. New car dealers are particularly impacted by this issue, since they are one of the largest collectors of sales taxes in the state.

800 S.W. Jackson, Suite 1110 • Topeka, KS 66612

Telephone (785) 233-6456 • Fax (785) 233-1462

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Based upon 1999 figures compiled by the National Automobile Dealers Association, new car dealerships in our state accounted for 21.1 percent of all retail sales in Kansas. This number is even more impressive when you consider that the number of dealerships as a percent of the total retail establishments in our state is only 2.2 percent. New car dealerships also account for almost eleven percent (10.7) of the total payroll in our state, but account only for about five percent (4.7) of the total number of employees.

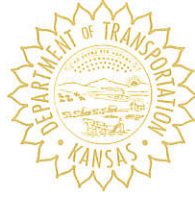
Other states have adopted some form of compensation for their retailers to mitigate their costs of collecting of state and local sales taxes. Such a proposal has been discussed in our state in the past, but received little attention from the Legislature. Recent changes in collection practices by the Kansas Department of Revenue may be partially responsible for renewed retailer interest in this legislation. In the past, retailers collected sales taxes from consumer sales transactions and remitted to the state on a monthly basis. The benefit to the retailer was in being allowed to retain interest proceeds and use of the money for up to a month before submission to the state. New regulations from the Department will require the larger sales tax collectors, which will include most, if not all new motor vehicle dealers, to actually "pre-pay" sales taxes, which will necessarily cost the retailer the loss of use of their own money and also that of the consumer's money as allowed for in the past. For some retailers, this will place a significant cash-flow problem on their operations.

Opponents to this legislation point to the high fiscal note attached to this bill. However, to be accurate and fair, one should also consider the increased revenues the State will receive due to the adoption of their recent change in collection practices. This will result in monies coming out of the consumer and retailers pocket, which cannot be categorized as anything other than a tax increase, hidden or otherwise.

KADA/SB 38  
Page Three of Three  
February 5, 2001

Legislation such as SB 38 allows the state the opportunity to take a look at rules and regulations through the eyes of the retailer. Collection of sales taxes by the retailer, while a necessary obligation for the financing of state and local government, is not without cost to the merchants charged with carrying out the work of state and local governments in this regard. SB 38 would insert a little equity into this equation and the members of the Kansas Automobile Dealers Association would respectfully ask for your favorable consideration of this legislation.

Thank you.



**KANSAS DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY OF TRANSPORTATION**

E. Dean Carlson  
Secretary of Transportation

**Docking State Office Building  
915 SW Harrison Street, Rm.730  
Topeka, Kansas 66612-1568  
Ph. (785) 296-3461 FAX (785) 296-1095  
TTY (785) 296-3585**

Bill Graves  
Governor

**TESTIMONY BEFORE  
SENATE ASSESSMENT AND TAXATION COMMITTEE**

**REGARDING SENATE BILLS 38  
CREDIT OF TWO PERCENT FOR SALES TAX REMITTANCE  
February 5, 2001**

Mr. Chairman and Committee Members:

I am Dean Carlson, Secretary of the Department of Transportation. On behalf of the Department, I am here today to testify on Senate Bill 38 which provides for a two percent credit for remitting sales tax returns. We feel obligated to point out bills which have the potential to impact the revenues available for the Comprehensive Transportation Program.

Senate Bill 38 would provide a two percent credit to taxpayers who file Kansas retailers' sales tax and compensating use tax reports. The credit would be limited to \$1,000 per month per taxpayer. The Department of Revenue estimated that reduction in total sales and compensating use tax receipts for FY 2002 would be \$23.7 million (\$22.5 million General Fund and \$1.2 million State Highway Fund ¼ cent) and \$25.6 million in FY 2003 (\$23.3 million General Fund and \$1.3 million State Highway Fund ¼ cent). KDOT also receives a transfer of a portion of the sales tax deposited to the State General Fund and the corresponding decrease in the sales tax transfer would be \$1.6 and \$2.5 million for FY 2002 and FY 2003 respectively.

Based on the Department of Revenue estimates, KDOT estimates that for the balance of the Comprehensive Transportation Program, FY 2002 to FY 2009, the Department would have \$42.0 million decrease in revenue. This loss consists in a \$23.0 million reduction in the sales tax transfer, \$11.0 million in the ¼ cent and \$8.0 million loss in interest earnings.

Because there is now a very fine line between success and failure of the Comprehensive Transportation Program, we must oppose any further erosion of projected revenues and, therefore, oppose Senate Bill 38.

*Senate Assessment & Taxation  
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Attachment 8*

# LEGISLATIVE TESTIMONY



*The Unified Voice of Business*

835 SW Topeka Blvd. • Topeka, KS 66612-1671 • 785-357-6321 • Fax: 785-357-4732 • E-mail: [kcci@kansaschamber.org](mailto:kcci@kansaschamber.org) • [www.kansaschamber.org](http://www.kansaschamber.org)

SB106

February 5, 2001

## KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

Senate Assessment and Taxation Committee

by

Marlee Carpenter

Executive Director, Kansas Retail Council

Mr. Chairman and members of the Committee:

My name is Marlee Carpenter and I am the Executive Director of the Kansas Retail Council. I am here today in support of SB 106, which would enact a state sales tax holiday.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 2,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 48% of KCCI's members having less than 25 employees, and 78% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

The Kansas Retail Council adopted a policy at their September meeting to pursue a sales tax holiday in Kansas. The sales tax holiday proposed by the Kansas Retail Council, and laid out in SB 106, would exempt only state sales tax the first Saturday and Sunday of August to provide relief to families for back-to-school shopping. It would exempt only clothing, footwear, computer equipment and software that are less than \$500, from the sales tax.

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The proposed sales tax holiday will coincide with back-to-school shopping. The National Retail Federation states that the average family spends approximately \$250 on back-to-school shopping.

Missouri is also looking at a sales tax holiday. The latest word from Missouri is that the bill is moving and will be scheduled for a hearing in the next few weeks. The President Pro Tem of the Senate is the sponsor of the bill. If the Missouri legislation passes, Kansas businesses along the Kansas/Missouri boarder can expect a decline during the period of the Missouri sales tax holiday. Nebraska and Oklahoma are looking at enacting a sales tax holiday this year.

The fiscal note for this bill is large. However, other states that have enacted a sales tax holiday have overestimated the effect it would have on revenues. New York overestimated their first sales tax holiday by 21.2%, Florida's overestimate was 20.9% and Texas overestimated the impact by 9.4%. Iowa and South Carolina's first sales tax holiday was this year and the figures are not in on the accuracy of the fiscal estimates.

Several factors account for the overestimates. First, states did not factor into their estimates any increases in tax receipts due to the higher sales of taxable goods during the holiday periods. Second, states did not account for increases in sales that flow into the state during the holidays from adjacent states that have higher sales tax rates. And finally, states did not take into consideration that consumers are likely to buy more products (taxable and non-taxable) since the decrease in the price for the exempt purchases has increases their level of income, thus allowing them more money to spend on other items.

States that have enacted a sales tax holiday have experienced an enormous increase in sales the days of the holiday. Iowa enacted its first sales tax holiday this year. The Council Bluff, Iowa, JC Penney's had sales the first day of the sales tax holiday larger than sales the day after Thanksgiving. The Omaha, Nebraska, JC Penney store, right across the river, experienced a tremendous loss of sales during the same 10-day sales tax holiday period.

A sales tax holiday provides direct tax savings to consumers, spurs economic growth and development, and provides immediate and tangible tax relief. A sales tax holiday is especially important in boarder communities, such as Johnson County, the southeast part of the state and Liberal, Kansas.

On behalf of the Kansas Retail Council, I urge your consideration of SB 106 and the enactment of a sales tax holiday in Kansas. I will be happy to answer any questions that you may have.

**TESTIMONY OF CURTIS S. SNEDEN  
DIRECTOR OF GOVERNMENT AFFAIRS  
PAYLESS SHOESOURCE, INC.**

**BEFORE THE  
SENATE COMMITTEE ON ASSESSMENT AND TAXATION**

**ON**

**S.B. 106**

**FEBRUARY 5, 2001**

Mr. Chairman and members of the Committee, I want to thank you for this opportunity to address the Committee regarding the Sales Tax Holiday issue. My name is Curtis S. Sneden, and I am Director of Government Affairs for Payless ShoeSource, Inc. Our corporate headquarters is in Topeka and I was born and raised here. Payless is a family footwear retailer that operates approximately 4,500 stores throughout the United States. In Kansas, we have over 42 stores and more than 1,500 associates, including our corporate and distribution facilities in Topeka.

Our business is built on supplying families with quality footwear at affordable prices. Our typical customer is a working mother with children, and more than one-third of our customers are children. I believe that your support for legislation exempting footwear and clothing from sales tax will greatly benefit the State of Kansas, providing Kansas families with focused tax relief.

Footwear is a necessary part of the clothing requirement for Kansas families and an especially costly part of the household budgets of families with growing children. Providing a sales tax holiday for footwear and certain items of clothing will leave families with more

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disposable income, permitting them to add to personal savings or to have extra funds available for other critical expenditures. Additionally, Kansas will benefit from increased economic development because the majority of these extra funds will be used to purchase other goods and services, some of which are taxable.

The sales tax is a very regressive tax, hitting lower income Kansas citizens the hardest. Briefly eliminating the sales tax by granting a sales tax holiday on these items would permit Kansas families, where every penny counts, to make additional critical expenditures that they would not have otherwise been able to afford.

Payless ShoeSource operates in six states with sales tax holidays: Florida, South Carolina, New York, Iowa, Connecticut and Texas. Our experience is that our customers are extremely pleased with the opportunity to be able to forego the state sales tax during a back-to-school time period.

I might also add that legislators in all six states were pleasantly surprised that the cost or budgetary impact of this legislation was not as large as originally projected, nor was it the operational nightmare for retailers they were originally led to believe. New York and Texas found that in some counties overall sales tax collections actually increased during the sales tax free weeks due to the heavy promotions by retailers. Customer response to these promotions was great, not only on sales tax free items, but also on items that continued to be taxed.

In all six states, there was wide bipartisan support for footwear and clothing sales tax holiday legislation. Additionally, there has been strong support for sales tax holidays from the National Black Caucus of State Legislators, which passed a resolution supporting them at its annual meeting in December of 1998.

S.B. 106 really is a "win-win" public policy for the citizens and the economy of Kansas. We know you have many competing demands on how to implement tax legislation in Kansas and that tax cut debates can be very divisive. This tax cut is one that is easy for your constituents to understand. As every parent knows, children grow rapidly and have a never ending need for footwear and clothing. This is a temporary targeted tax cut that will result in your constituents putting money back into their pockets, and permitting them to purchase more footwear, clothing or other items of necessity important to their families.

On behalf of Payless ShoeSource, Inc., I respectfully urge you to support S.B. 106 which exempts certain items of clothing and footwear from sales tax thereby providing targeted tax relief to Kansas citizens, particularly those on the lower end of the economic spectrum.

Again, I thank you for the opportunity to share with the Committee Payless' perspective, as well as our direct experience in Florida, South Carolina, New York, Iowa, Connecticut and Texas. I would be happy to answer any questions you might have.



**KANSAS RETAIL COUNCIL**

A DIVISION OF THE *Kansas Chamber of Commerce and Industry*

February 5, 2001

Mr. Chairman and members of the Committee

My name is Jeff Levin and I am a co-owner of Varney's Book Store in Aggieville, The K-State Place in the Manhattan Town Center Mall, and The Children's Book Shops in Lawrence, Manhattan, and Topeka. My family's business also operates a catalog business and two e-tailing businesses, [www.varneys.com](http://www.varneys.com) and [www.kidsandteachers.com](http://www.kidsandteachers.com). We have been in business since 1890 and we employ over 130 people in these enterprises. I am here today speaking in support of SB 106 as a retail business owner and as a member of the Kansas Retail Council.

As Marlee Carpenter pointed out in her testimony the Kansas Retail Council adopted a policy at their September meeting to pursue a sales tax holiday in Kansas for the first Saturday and Sunday of August with the primary focus to provide a level of relief for back-to-school shoppers.

40 of the 105 counties of Kansas border other states. Another 31 counties are within one county of a state border. In total 67% of our counties have a close proximity to another state. What other states adopt as tax policy does have an impact on Kansas. When Nebraska and Missouri implement tax holidays this does matter to our state.

Further, when you add to that the importance of catalog and internet businesses the rest of the world is competing for every retail dollar spent in Kansas. I believe SB106 is a small step to offset these very real competitive pressures.

We all know that right now the economy is adjusting itself. Christmas retail sales were not what we all expected. Announcements of layoffs are becoming a daily news item. Natural gas is a serious cost factor for every household. Would SB106 "save" the economy? Of course not. But I believe it will be a positive message from our state legislators that they recognize the need to create a stimulus for the Kansas economy and that the citizens of Kansas deserve a progressive tax break.

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The last point I would like to make is about the technical issues that some may say make such a bill difficult to implement. This is reminiscent of the concerns we all faced with Y2K just a little over a year ago. The challenges are clearly overstated. Personally, as a business owner with multiple stores in different localities all with separate tax bases I deal with this issue all the time. It will not be difficult to change the tax base for two days of the year. Further, as retailers given the opportunity to participate in such a tax holiday, we would gladly meet any issues that might still arise.

On behalf of the Kansas Retail Council and as a retailer myself, I urge your consideration of SB 106 and the enactment of a sales tax holiday in Kansas. I will be happy to answer any questions that you may have.