

SESSION OF 2005

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2131

As Amended by House Committee on
Taxation

Brief*

HB 2131, as amended, would repeal a number of destination-based sales tax sourcing provisions originally enacted in 2003 and would restore all sourcing rules which had been in place prior to July 1, 2003. (Sales would be sourced to the location of the retailers (origin-based sourcing), except for certain telecommunications and utility services; as well as sales of property and services in connection with contracts in excess of \$10,000.) However, those retailers in compliance with destination sourcing on the effective date of the bill (publication in the *Kansas Register*) would have the option of continuing to use those provisions or of switching back to origin sourcing.

The destination-sourcing provisions would become effective again immediately upon the effective date of any legislation enacted by Congress that authorizes the Kansas Secretary of Revenue to require certain out-of-state sellers lacking physical presence in the state to collect and remit state and local sales and use taxes.

The bill also would prohibit future Kansas Legislatures from enacting compensation for expenses incurred by out-of-state sellers related to tax collection and processing without also compensating in-state sellers.

Background

A fiscal note prepared by the Budget Division indicated that sales tax receipts would be expected to decline by \$9 million in FY 2006. This is the amount currently expected to be received from voluntary collections of sales and use tax by remote retailers as a result of

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Kansas' being in substantial compliance with the provisions of the Streamlined Sales and Use Tax Agreement. Of this amount, \$8.575 million would be attributable to a reduction in State General Fund receipts; and \$0.425 million would be attributable to a reduction in State Highway Fund receipts.

Legislation enacted in 2004 had authorized retailers prior to January 1, 2005, to elect to utilize origin-based sourcing provisions in effect on June 30, 2003, as an alternative to the destination-based sourcing provisions which became effective July 1, 2003.

The House Committee amended the bill at the suggestion of Representative Siegfried to add the provisions authorizing those retailers in compliance with destination sourcing to continue to utilize that methodology in lieu of changing back to origin sourcing.