

SESSION OF 2011

**SUPPLEMENTAL NOTE ON  
SUBSTITUTE FOR HOUSE BILL NO. 2161**

As Recommended by House Committee on  
Taxation

**Brief\***

Sub. for HB 2161 would change a number of statutory rules for purposes of in-state sales tax transactions from destination-sourcing (where the applicable local sales tax rate is determined at the location where the consumer receives the purchased item) to origin-sourcing (where the applicable local sales tax rate is determined at the seller's location).

**Background**

Legislation enacted in 2003 to bring Kansas into compliance with the multi-state Streamlined Sales and Use Tax Agreement changed sourcing rules from origin-based to destination-based. Subsequent legislation enacted in 2004 gave retailers an option to use either set of rules until January 1, 2005, when the destination-sourcing provisions were fully applicable.

The original bill generally would have restored the retailer-option provisions that were in effect in 2004 and would have made them permanent. The House Taxation Committee changed the original bill to make mandatory many of the origin-sourcing rules that had been in effect in 2003; to make a number of other technical adjustments required by the Agreement; and to recommend that a substitute bill be created.

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\*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>

The Department of Revenue said that reverting to origin-sourcing would take Kansas out of compliance with the Agreement; and that the state likely would apply for “associate-member” status as an alternative to the current “full-member” status. The Department also indicated that Kansas would be expected to lose that portion of receipts currently being collected from remote retailers who are contractually obligated to collect and remit taxes on sales only into full-member states. The following table provides the fiscal note:

(\$ in millions)	
FY 2012	\$ (9.730)
FY 2013	(10.071)
FY 2014	(10.423)
FY 2015	(10.788)
FY 2016	(11.165)
5-yr total	<u>\$ (52.177)</u>