

SESSION OF 2011

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

As Amended by House Committee of the Whole

Brief*

Sub. for HB 2161 would change current 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 allow retailers to have an option of utilizing either destination-sourcing or origin-sourcing (where the applicable local sales tax rate is determined at the seller's location).

The bill also would provide a sales tax exemption for all sales of game birds for which the primary purpose is use in hunting.

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

*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>

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. The House Committee of the Whole on March 29 amended the bill to restore the retailer-option provisions of the original bill; and to add the sales tax exemption for game birds.

The Department of Revenue said that allowing optional sourcing rules would take Kansas out of compliance with the Agreement. The Department also indicated that while Kansas could lose as much as \$35 million in FY 2012 receipts, the state definitely would lose at least 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 that 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>

The Department said that the game bird exemption would be expected to reduce receipts by an additional \$0.060 million in each fiscal year.