

Cities submitting Testimony in support of HB 2756

1. Beloit
2. Concordia
3. Ottawa
4. Unified Govt. of Wyandotte Cty/KCK
5. Wichita

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February 27, 2018

Katie J. Schroeder
CITY ATTORNEY

To: Chairman Steven Johnson
House Committee on Taxation
From: Katie Schroeder, City Attorney for City of Beloit
Re: HB 2756 - Proponent

Thank you Chairman and Committee for allowing me to submit testimony in support of HB 2756. The City of Beloit is currently in support of this legislation.

The City of Beloit levies a 1.0% local sales tax which provides a valuable revenue source for our city. The sales tax funds our city's capital improvement fund and of this 1.0%, 0.3% funds the city's debt for a new water park which was completed in 2012. Recent projects completed with funding through our capital improvement fund include concrete streets and sewer improvements through two major north/south and east/west corridors of the city and the platting and development of a 30 acre tract of property with concrete streets and other infrastructure improvements. The CIP fund also provided the local match dollars for a recent KDOT geometric improvement project within the city and ongoing airport improvement projects including a runway extension and new lighting system. Future projects contemplated include the re-design and construction of two additional major streets, both of which connect to U.S. Highway 24.

Beloit, the county seat of Mitchell County, has a population of 3,800 and is home to a technical college and two of the three schools in Mitchell County. It also serves as home to modern healthcare facilities with a hospital and medical clinic served by nine physicians. Beloit continues its progressive outlook and is always looking for ways to improve the lives of its citizens. The City participates in the Safe Routes to School Program and the Department of Commerce Housing Rehabilitation program. In short, while Beloit is located in a rural area of our state, we are a thriving community and are determined to see growth so as to enhance the lives of our citizens and those citizens of our surrounding communities who rely on Beloit for healthcare, education, retail, entertainment and other needs.

As the retail landscape changes to more of an online presence, HB 2756 will ensure that Beloit and other Kansas communities just like us will continue to receive adequate levels of revenue through local sales tax. Thank you for your consideration of this testimony.

Very Truly Yours,

Katie J. Schroeder
Beloit City Attorney



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TO: House Tax Committee
FROM: Amy L. Lange, City Manager, Concordia
DATE: March 1, 2018
RE: Testimony in Support of HB2756

The City of Concordia supports HB2756 as introduced. The vitality of our local businesses is critical to long-term community sustainability.

Concordia currently experiences 12 brick-and-mortar business vacancies in our downtown business district, as well as six brick-and-mortar business vacancies along two major highway corridors running through town. Several of these vacancies were created by retailers who were forced to directly compete with internet sales from both in-state and out-of-state businesses for items used by many of our local and regional community residents, such as shoes, men's clothing, children's clothing, sporting goods, jewelry, and gifts. Part of this competition stems from disparity in sales/use tax not charged to online retailers and the lack of ability to enforce this charge.

These vacancies invoke concern not only for the now-empty storefront, but for the lost employment opportunities for our citizens; the decline in property tax revenue to our city, our county, our local school district, and our local community college; and the lost sales tax revenue for our city and county governments.

Sales tax accounts for 21% of revenue for the City of Concordia, while compensating use tax accounts for 2%, and property tax accounts for 18%. Maintaining a viable revenue stream for the city insures our citizens will continue to enjoy the basic services required to support a community, such as emergency services, public safety, clean water, functioning wastewater treatment and storm drainage systems, streets in good repair, well-maintained parks, and recreation opportunities that help to attract new businesses to the community, including those in the industrial and service sectors. When retail products are purchased from online retailers, Concordia not only forgoes a portion of sales tax revenue, but the revenue earned by that online retailer is used to pay property taxes that enhance the vitality of another community...in another state.

We urge you to support HB2756 to provide a fair and reliable revenue source for Kansas. A vote in favor of HB2756 is a vote in favor your hometown businesses, and helps to insure the long-term sustainability of communities like Concordia.



Date: March 1, 2018

To: The House Tax Committee
From: Richard U. Nienstedt, City Manager, City of Ottawa, Kansas
John Coen, President/CEO Ottawa Area Chamber of Commerce
Re: Testimony in Support HB 2756

Thank you for allowing us this opportunity to provide testimony on behalf of the City of Ottawa, Franklin County Kansas in favor of House Bill 2756.

A uniform online sales tax imposed by the State of Kansas will, in our opinion, allow state and local governments to collect much needed revenue that can be used to improved current infrastructure and other governmental programs, and potentially ease the need for increases to property tax. In the name of fairness to all participants, anyone selling to purchasers in Kansas should be placed on the same playing field as our local retailers.

As you are aware, most online revenue will come from the largest online retailing sources, such as Amazon, Apple, and Wal-Mart.¹ But, please keep in mind, local retailers are invaluable to the economic health of our communities and the State of Kansas, as they provide local economic activity and much needed jobs to our citizens. An online uniform sales tax will, to some extent, allow small town retailers to be on a more level playing field with the Goliaths of the retail industry.

One of the ongoing arguments posed by large online retailers relates to the difficulty in the ability to track sales tax rates. This may have had some validity in the 1990s; however, such validity has diminished greatly with advances in technology. As early as 2010, in a revised article on this topic, Michael Mazerov, writing for the Center on Budget and Policies Priorities explains why Amazon's own business practices and arguments against online sales tax do not hold up any longer. Mazerov also explained that Amazon has strategically located themselves to make the most of the advantage they experience by not having to collect on line sales tax.² "... each year Amazon's report to the Securities and Exchange Commission acknowledges that the price advantage with which the company starts out vis-à-vis local stores and other competitors that are obligated to charge sales taxes is a key strategic asset."³

Of course the big three are not the only online retailers. The prosperity of the State of Kansas is absolutely dependent upon the prosperity of our communities. Over 82% of Kansans live in incorporated cities. In an effort to promote healthy and sustainable communities, we stand in favor of House Bill 2756 and strongly encourage the State of Kansas to pass legislation that puts all internet sales on the same playing field with local retailers.

¹ Pros and Cons of an Internet Sales Tax | Investopedia <https://www.investopedia.com/articles/personal-finance/121615/pros-and-cons-internet-sales-tax.asp#ixzz58538qbAy>

² <https://www.cbpp.org/sites/default/files/atoms/files/11-16-09sfp.pdf>

³ ibid

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Testimony

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Internet Sales Tax HB 2756

Delivered March 1, 2018
House Tax Committee

The Unified Government of Wyandotte County/Kansas City supports legislation to permit the collection of *existing* sales and use taxes from remote sellers.

The issue of collecting remote sales taxes has escalated in recent years due to the Internet's growth as a retail marketplace.

As a result, state and local governments have lost billions in uncollected sales taxes and Main Street businesses find themselves at a significant competitive disadvantage with online merchants.

In 2017, online retail sales in the United States grew faster than it has since 2011. E-commerce represented 13% of total retail sales in 2017 and 49% of the growth. Total retail sales reached \$5.076 trillion in 2017, a 4.4% jump from \$4.863 trillion in 2016.

E-commerce represented 13% of total retail sales in 2017, a marked increase from 11.6% in 2016. Amazon is responsible for much of the gains. The organization Internet Retailer, estimates the total value of transactions from American consumers on Amazon.com reached \$189.6-billion last year. That's a 30% increase compared with \$145.7-billion in sales for 2016.

Clearly, E-commerce and online retail sales are here to stay and grower more popular. Loss of sales tax revenue is certainly a serious concern, but the Unified Government is also concerned about the future of Main Street, brick and mortar stores.

We are making concerted efforts to revitalize downtown Kansas City, Kansas and have had some success in attracting new businesses. Many of them are small and locally owned. The uneven playing field created by current laws dealing with sales tax for on-line purchases makes opening a traditional business even more difficult.

The Unified Government supports HB 2756.



The City of Wichita is committed to maintaining a low and stable mill levy rate; the rate has not materially changed for 24 years, and is approximately 10 mills lower today than it was before the Sedgwick County sales tax was approved in 1986. The City is also committed to providing a dependable transportation network and infrastructure – not just for the 390,000 Wichita residents, but also for the more than 1 million Kansans that rely on Wichita as a regional medical, employment and retailing center. Perhaps ironically, that very infrastructure is what makes the delivery of remote transactions possible. However, the continuing erosion of sales tax revenues due to constant growth in the amount of untaxed remote sales will almost certainly affect and jeopardize the City's ability to achieve these objectives. If not addressed, untaxed remote sales will reduce local funding for things that are important to Wichita and Kansas residents, including infrastructure investments and operating budget areas such as public safety and quality of life improvements.

In conclusion, we strongly support what this bill intends to achieve as a step in the right direction, and we stand ready and willing to work with state legislators on needed changes. Thank you.

Very Best Regards,

Mayor Jeff Longwell
City of Wichita

Office of the Mayor

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