

**Written Testimony To Senate Assessment and Taxation Committee
In Opposition to House Bill 2380**

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Introduction

Good morning Chairwoman Tyson and other members of this committee. I am Mark Kahrs, President of Recheck, Incorporated. I have owned Recheck, Inc., a Kansas collection agency, since 1999 and it has been in operation since the 1970's. Thank you for this opportunity to submit written testimony. I urge you to strip out the sales tax on collection services specifically, NAICS Code 561440.

1. **FULL IMPACT OF THIS LEGISLATION IS UNCLEAR:** Following the passage of HB 2380 last Friday industry leaders along with our lobbyist have been scrambling trying to discern the impact of this legislation on our industry. Please let me highlight some concerns below.

2. **6.5% SALES TAX WILL MAKE KANSAS COLLECTION AGENCIES UNCOMPETITIVE:** Recheck does not offer our services on an hourly basis. Instead, we are paid a certain contingency percentage based on what we collect for our client. If we don't collect any monies on a particular account we are not paid anything regardless of the costs incurred. Under existing federal law we can not pass along this sales tax expense to the debtor and creditors will refuse to pay this new cost.

3. **OUT-OF-STATE COLLECTIONS ACTIVITY WILL INCREASE IN KANSAS:**

The overwhelming number of complaints against third party collections is with out-of-state collection agencies. This legislation would empower out of state collection agencies that don't face this similar sales tax or who have Kansas values and Kansans' best interests in mind. Moreover, this will undoubtedly force many Kansas small businesses to close their doors taking Kansas dollars to out of state collection agencies that do not charge sales tax on collection services. Nor do they employ Kansas citizens who pay taxes here in Kansas.

4. **SALES TAX WILL DESTROY MY BOTTOM LINE:** My collection agency works on a very narrow margin and imposing this new sales tax will certainly result in employee layoffs and/or a reduction in hours for existing employees and possibly closure and/or sale.
5. **A POTENTIAL DOUBLE HIT AGAINST OUR INDUSTRY:** Kansas small business owners have been preparing for the repeal of the 2012 small business tax exemption during this session. A large percentage of Kansas collection agencies are small businesses. Imposing this additional 6.5% state sales tax, plus any local rates, is a double hit and will certainly take it's toll on our industry which has already been consolidating and providing less options for creditors located in Kansas.

I urge you to strip from H.B. 2380 the sales tax provision on collection services.

Thank you for your consideration.