



**House Committee on Taxation
Hearing on House Bill 2352
Hearing Date – February 21, 2019**

**Written Testimony in support of HB 2352 on behalf of the City of Manhattan
By the Honorable Michael L. Dodson, Mayor of Manhattan**

Good afternoon Chair Johnson, Vice Chair Mason and Honorable Members of the House Committee on Taxation. My name is Michael L. Dodson, Mayor of Manhattan.

The City of Manhattan supports HB 2352, providing changes to nexus for the sales and use tax law, requiring tax collection by marketplace facilitators, and imposing sales tax on digital products. The City of Manhattan supports leveling the playing field between online retailers and brick-and-mortar businesses. The lack of remitted sales tax by online retailers diminishes local revenue and presents an unfair advantage over local businesses in Kansas. Brick-and-mortar businesses are paying sales tax, while many companies without a physical presence in Kansas sell a significant amount to Kansans, but pay no tax.

- The inability of governments to collect local option sales or compensating use tax on remote sales continues to deny revenue to local and state government. In recent years, the League of Kansas Municipalities has estimated cities in Kansas have missed out on over \$369 million in revenue over past 10 years. The City of Manhattan estimates over \$6 million in lost revenue from uncollected tax on remote sales between 2011-Present. Furthermore, the Kansas Legislative Division of Post Audit estimates the state could collect an additional \$40 million to \$70 million in sales tax revenue annually through the addition of economic nexus and marketplace facilitator provisions. It is important to note that the Post Audit report does not include the millions of dollars in revenue that would be rightfully due to local governments across Kansas.
- Collection of sales tax on remote sales would level the playing field between online and brick-and-mortar retailers by eliminating the tax abatement for certain online retailers. This is not a new tax, rather it is simply an issue with the collection of a tax that should already be occurring.
- Local Brick and Mortar stores in Kansas are coming under increasing competitive pressure from on-line businesses. The economic stress is significant. 2017 was the all-time highest year for retail store closures. . When Brick and Mortar stores close there is broad impact. The owners are impacted, the local employees are without work and the empty stores are a blight on the City. . Brick and Mortar closures are exceptionally damaging to the sustainment of our smaller Kansas communities.



- Following the Supreme Court's ruling in *South Dakota v. Wayfair*, over 30 states have passed legislation similar to South Dakota, allowing states to tax remote sales from out-of-state sellers who generate an economic nexus within their state. Kansas law currently lacks requirements for online retailers with an economic nexus in the state, conducting a minimum amount of business in the state to collect and remit sales tax. Kansas law also lacks requirements for marketplace facilitators (Amazon, Ebay, Wayfair, etc.) to collect and remit sales tax on behalf of its retailers. These provisions must be included within Kansas law to ensure full compliance with remittance of sales and use tax.
- Given the Supreme Court ruling in *South Dakota v. Wayfair*, we fully support legislation establishing an online sales tax framework assuring state and local governments the authority to collect sales tax on remote sales, ending the tax abatement for online retailers. Remitted taxes should be distributed using existing methods/formulas to state and local governments.

In summary, the City of Manhattan supports HB 2353, and asks the Committee support this legislation and advance this bill to the full House. Thank you for your time and consideration.