

Cities Submitting Written Only Testimony

In Support of

HB 2352

1. Dodge City
2. Fort Scott
3. Johnson County
4. Olathe
5. Prairie Village



City of Dodge City

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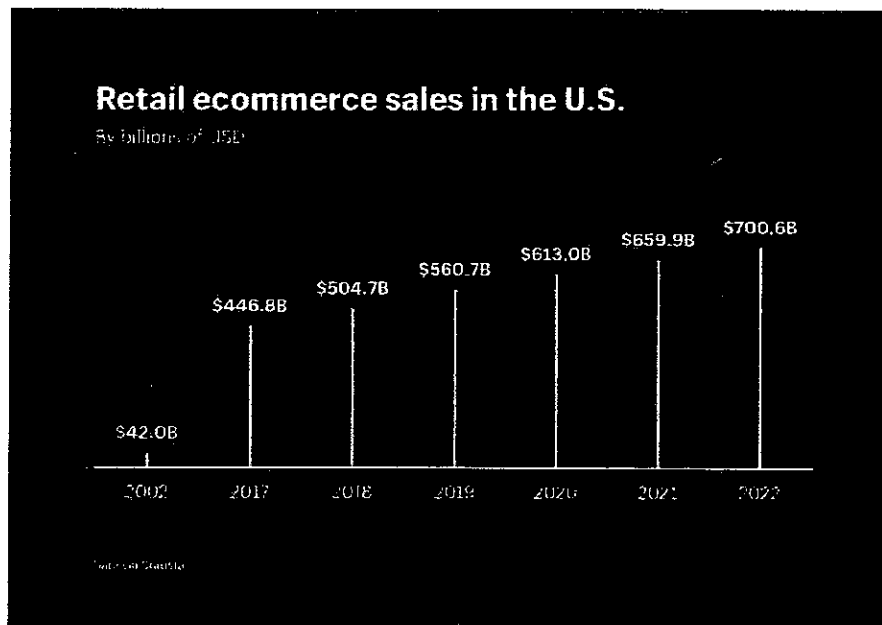
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To: Chairman Steve Johnson and members of the House Taxation Committee
From: Cherise Tieben, City Manager & Ernestor De La Rosa, Assistant City Manager/Legislative Affairs
Date: February 21, 2019
Subject: Written Testimony in support of House Bill 2352

Honorable Chair and Committee Members:

Thank you for considering my testimony on behalf of the City of Dodge City in support of House Bill 2352, which would provide changes to the nexus for the sales and use tax; requiring tax collection by marketplace facilitators; imposing sales tax on digital products.

According to Statista.com, the retail online sales in United States has increased exponentially in the last decade. In 2002, a total of \$42 billion was made through online sales. In 2018, the total online sales was \$504.6 billion. This was an increase of \$462.7 billion of online sales over a 16-year period (see graph below). In addition, Statista.com estimates that online sales will only continue to grow as technology advances with a projected total of \$700 billion in 2022. On the other hand, consumers are supposed to pay sales and use tax on these sales, however almost no one did. According to the New York Times, states and local governments have an annual loss of \$33 billion of online sales tax revenue. Recent auditor's report shows that Kansas could collect 40 to 70 million dollars if online sales were to be taxed.



As municipalities continue to struggle with declining revenues to fund operations, rural communities in Western Kansas have more difficulty as they deal with declining populations and limited budgets. Shopping practices in the United States have changed (as shown above) so much in the last decade due to technology accessibility that almost any physical product can be delivered to our door steps. As a result of online shopping, cities and

Counties continue to face declining revenues specifically from sales tax. For instance, the City of Dodge City, recently saw a 2.47 percent (\$230,197.21 dollars) decrease from fiscal year 2017 to 2018. This decline was largely due to online shopping practices in our community.

The City of Dodge City believes that the State of Kansas should allow collection of online sales tax to properly fund our operations and continue to deliver vital municipal services. Research will show that online shopping will only continue to increase and our revenues will likely decrease if remote sales are not taxed. We also believe that the ability to collect online sales tax will also allow the state government to improve tax enforcement and to put local brick-and-mortar businesses on a more leveled playing field.

It is for all of the above reasons that we respectfully ask for this change in online sales tax collection to allow for collection from remote retailers. We strongly ask for your support of House Bill 2352 and respectfully request that the Committee advance HB 2352 for further consideration.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Ernestor De La Rosa", written over a horizontal line. The signature is stylized and cursive.

Cherise Tieben
City Manager

Ernestor De La Rosa
Assistant City Manager/Legislative Affairs

CITY OF FORT SCOTT, KANSAS 66701

ESTABLISHED IN 1842

To: House Tax Committee

From: Robert Uhler, Community Dev. Director, City of Fort Scott

Subject: Testimony in Support of HB 2352

Date: February 21, 2019

Thank you for the opportunity to offer our support of HB 2352

The inability of governments to collect local option sales or compensating use tax on remote sales continues to erode a viable and fair revenue source. The City of Fort Scott supports state legislation establishing a program to help the state collect state and local sales and compensating use taxes due from in-state purchasers.

Remitted taxes should be distributed using existing methods/formulas for the state and local governments. The League further supports the adoption of the safe harbor provisions as used by South Dakota to ensure constitutional compliance with the recent U.S. Supreme Court decision in *South Dakota v. Wayfair, Inc et al.*, 138 S. Ct. 2080 (2018) in order to bring tax fairness to Kansas' brick-and-mortar businesses.

Community-based retailers are required to collect sales tax while many online retailers are not. This difference is not only unfair to small and medium retailers, which create jobs in local communities, but it is also costing states and localities, which are already facing severe budget crises, millions of dollars in lost revenue that could benefit vital public services and/or lower state tax rates.

The City of Fort Scott supports legislation that levels the playing field between brick-and-mortar stores and merchants that sell exclusively online.

Thank You



Written Testimony In Support of House Bill 2352
House Taxation Committee
Ed Eilert, Chairman, Johnson County Board of County Commissioners
February 21, 2018

Dear Chairman Johnson and Committee Members:

Thank you for the opportunity to write in support of House Bill 2352 which requires retailers receiving gross receipts of \$100,000 from sales into the state of Kansas to collect and remit sales or use tax.

Current law requires only retailers with nexus to collect and remit Kansas sales or use tax. Individuals who purchase products remotely and don't pay compensating use tax are required to report it on their K-40 tax form. Unfortunately, a small percentage of Kansans actually report. This is not a new tax, but a new way for Kansas to collect taxes due the state, counties and cities.

Based on the U.S. Supreme Court decision in North Dakota vs Wayfair in favor of North Dakota to collect use tax from companies without nexus in the state, Kansas should update their use tax collection statutes. The decision paves the way for states to impose a tax collection obligation on businesses that have no connection to the state other than a certain amount of economic activity, which HB 2352 does.

Remote sales, primarily internet sales have increased since 1992. Brick and mortar stores are at 7 – 10% disadvantage (depending on location) because they are required to collect and remit sales tax, while remote sellers are not. HB 2352 paves the way for states to impose a tax collection obligation on businesses that have no connection to the state other than a certain amount of economic activity.

It is time for Kansas to update collection of sales tax laws to be fair to all businesses as many states are doing. Johnson County's State Legislative Platform statement encourages the Kansas Legislature to pass legislation facilitating the collection of compensating use tax from purchases made from sellers (with no physical presence in a state). Sales tax collected should be distributed using existing methods/formulas for the state and local governments.

I close by requesting you pass HB 2352 out of committee favorably to the full House.



To: House Tax Committee
From: Matt Randall, Budget Manager, Olathe
Subject: Testimony in Support of HB 2352
Date: February 21, 2019

Local Sales Tax is a primary and foundational revenue stream essential for effective municipal operations. Local retail or “brick and mortar” retail slippage has had a commensurate impact on local option sales tax revenue collections. The dynamic shift from local retail sales to a mixture of both online and traditional “brick and mortar” has created inequity within the retail industry. Traditional “brick and mortar” stores continue to support local municipalities by contributing to local sales tax collections while online retailers enjoy an unfair respite. Collecting online sales or compensating use tax would mitigate this inequity by providing an avenue for a balanced retail environment including both local option sales and compensating use tax. Remitted local option sales tax and compensating use taxes should be distributed utilizing current methods for state and local governments.

THE CITY OF PRAIRIE VILLAGE
KANSAS

February 21, 2019

Kansas State House
Committee on Taxation
Rep. Steven Johnson, Chair
Rep. Les Mason, Vice Chair
Rep. Jim Gartner, Ranking Minority Member

**TESTIMONY OF THE CITY OF PRAIRIE VILLAGE, KANSAS
IN SUPPORT OF HOUSE BILL 2352**

Dear Chair Johnson, Vice Chair Mason, Ranking Minority Member Gartner, and Members of the House Tax Committee:

The City of Prairie Village, Kansas—a city of the first class in Johnson County, Kansas—**strongly supports** House Bill No. 2352 - providing changes to nexus for the sales and use tax law; requiring tax collection by marketplace facilitators; imposing sales tax on digital products.

We support legislation that allows the State to levy sales taxes on businesses without a physical presence in the state. Our inability to collect local option sales or compensating use tax on remote sales erodes a viable and fair revenue source. While we cannot put a dollar amount on the loss in revenue, we believe the number is significant. Additionally, this legislation would level the playing field by bringing tax fairness to our brick-and-mortar businesses.

The City of Prairie Village thanks the Committee for its consideration.