

City Hall
8500 Santa Fe Drive
Overland Park, Kansas 66212
www.opkansas.org

Date: February 6, 2020
To: Chairman Steven Johnson and the House Committee on Taxation
From: City of Overland Park
Re: Written Testimony in Support of HB 2513

Thank you for allowing the City of Overland Park to submit testimony in support of for HB 2513. The City supports this legislation because it would create a simple and equitable means of collecting various taxes owed to the City for online transactions.

A growing percentage of consumers research a purchase in a local retail store then make their purchase online. This practice, along the fact that sales taxes are only rarely collected on internet sales, undermines the local business owner's ability to compete. As brick and mortar retailers struggle to adapt to the changing marketplace, it's imperative that taxation on internet sales be addressed to help level the playing field between internet and local retailers.

In addition to the revenues lost by local businesses, internet retail sales have also caused states and local governments to lose significant tax revenues. Retail sales and use taxes represent the largest single source of revenue for the City of Overland Park, and we estimate the City is losing approximately \$2 million per year in compensating use tax from uncollected internet sales. Sales and use taxes are the City's primary source of funds for street and other capital projects and, as state and federal funds available for these projects decrease, capturing these revenues will be critical to maintaining the high-quality infrastructure our constituents expect.

The City also supports the inclusion of transient guest taxes ("TGT") in HB 2513. Most homeowners who use short-term rental companies to rent rooms within their homes (e.g. AirBNB, VRBO, etc.) are obligated under current law to collect sales tax and TGT from occupants. However, the largest short-term rental company, AirBNB, has a contract with the Kansas Department of Revenue to collect sales tax and TGT on behalf of the property owners who use that platform to rent their properties. HB 2513 would codify this arrangement for all short-term rentals, so AirBNB isn't the only company assuming the burden of collecting sales tax and TGT from renters. The bill would also create equity between short-term rental companies and the hotel industry, as the former grows into an increasingly large competitor with the latter. Additional information about this portion of the bill can be found on the following page.

Finally, HB 2513 would not expand those who are obligated to pay TGT or sales and use tax on internet sales, but help enforce collection of those taxes. HB 2513 would create a system to collect TGT and sales taxes on internet purchases, prevent leakage of duly-owed revenues to the City and State, and reduce the need for governments to raise taxes to make up for lost revenues.

Thank you for allowing the City to testify on this legislation. We respectfully request that the Committee advance HB 2513 to the full House.

Breakdown of New Section 1(a)(B)(2).

A "marketplace facilitator" includes a person that provides a platform through which unaffiliated third parties offer to rent to and collect consideration from occupants for rental, for a period of less than 29 consecutive days, of rooms, lodgings, accommodations, homes, apartments, cabins or residential dwelling units that are intended to be used as a room, lodging or sleeping accommodation by one person or by two or more persons maintaining a common household, to the exclusion of all others. [MK1]

A person is not a marketplace facilitator with respect to the sale or charges for rooms, lodgings or sleeping accommodations, if such rooms, lodgings or sleeping accommodations are provided by a lodging establishment as described in K.S.A. 36-501, and amendments thereto, and

the lodging establishment provides the rooms, lodgings or sleeping accommodations for occupancy under a brand belonging to such person [MK2]

or

the person facilitates sales or charges on behalf of the lodging establishment. [MK3]