



Goodwill Industries of Kansas, Inc.

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House Committee on Taxation Testimony in Opposition to HB 2727 By Molly Fox March 12, 2020

Chairman Johnson and honorable committee members,

Thank you for the opportunity to share with you my concern related to HB 2727, specifically New Section 1. I have spent my entire professional career in nonprofit management, currently serving as the Vice President, Marketing & Development for Goodwill Industries of Kansas. I am the Past President of the local chapter of the Association of Fundraising Professionals and have worked or volunteered for a variety of other nonprofit organizations – some of which are sales tax exempt, others are not.

PAYGO language doesn't separate nonprofits from other exemptions

The language in New Section 1 doesn't differentiate the various types of exemptions, and puts lawmakers in the impossible position of choosing favorites. The repeal/suspension of an equal or greater liability is clear, yet without guidelines, any exemption is subject to repeal/suspension, regardless of reason or benefit to the state. It is possible that the repeal/suspension of the tax exemption would actually cost the state more than it saves.

Limits community benefit and puts more burden on taxpayers

While I understand the need to broaden the state tax base, this should not be on the shoulders of the nonprofit organizations which exist to benefit the citizens of our state. Exemptions are in exchange for vital community services and allow nonprofits the ability to stretch dollars to serve Kansans. Without the nonprofits in our community, there would be a much greater burden on state government to address critical needs of our citizens, of course at the cost of our taxpayers.

Divisive and may imply some nonprofits or industries are more valuable than others

Since the bill proposes requiring the repeal or suspension of an existing sales tax exemption in order to implement any new exemptions. As the Past President of the local chapter of the Association of Fundraising Professionals, I know that the collaboration and partnership of all nonprofit agencies benefit the people. The concept presented may unwillingly pit nonprofit organizations against each other, rather than creating partnerships, and sending the message that one's cause is more valuable than another.



Goodwill's Contributions

As background, last year an estimated \$150,000 was saved by Goodwill thanks to the sales tax exemption for items purchased to fulfill our mission of providing education and job skill training to individuals with disabilities and employment barriers. Without this exemption, we would have provided three fewer professional positions, whose goals are to provide much needed services to Kansans. This small change in workforce would have reduced our ability to serve at least 100 individuals – from those attending GED completion courses to finding gainful employment. These services are helping individuals and our state through their work as they are able to become taxpayers, rather than utilizing government assistance programs.

It is important to note, as an agency, Goodwill Industries of Kansas DOES collect and remit sales tax on the items we sell in the stores. During the last fiscal year, nearly \$1.2 million in sales taxes were collected in our stores. Nearly \$10 million was paid to the 600 Kansas employees state-wide by our agency and more than \$725,000 in payroll taxes were paid to the state. This of course, boosts the local economy, all while allowing Goodwill to serve its mission.

As Goodwill works to address the need for adult education, workforce development and disability services in our state, it is of great value to know that we are able to purchase what we need for clients' services without the additional costs of sales tax. HB 2727 is not a viable solution to broadening the tax base. As a solution, I respectfully urge this committee to create an equitable standard sales tax exemption approval process that requires specific standards be met before granting sales tax exemptions. This will allow the issue of exemption to be addressed on the front end without negatively impacting already approved organizations.

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