

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

Date: February 3, 2021
To: Chairwoman Tyson and the Senate Committee on Assessment and Taxation
From: City of Overland Park
Re: Written Testimony in Support of SB 50

Thank you for allowing the City of Overland Park to submit testimony in support of for SB 50. My name is Michael Koss, and I serve as an attorney with the City. 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.

SB 50 would not expand those who are obligated to pay transient guest tax ("TGT") or sales and use tax on internet sales, but help enforce collection of those taxes. SB 50 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.

The City supports the inclusion of TGT in SB 50. The largest short-term rental companies have contracts 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. SB 50 would codify this arrangement for all short-term rentals. 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.

The City requests one technical amendment. Under Kansas law, "hotels" (not "lodging establishments") are already required to collect taxes on their own behalf. So there's no reason to obligate online businesses that market hotels (e.g. hotel websites, online travel companies, etc.) to collect those taxes on behalf of hotels. To prevent confusion regarding tax collection

requirements, we request references to "lodging establishment" in lines 28-35 be changed to "hotel" so it's clear these online businesses don't have any new tax collection requirements.

Thank you for allowing the City to testify on this legislation. We respectfully request that the Committee advance SB 50.