

**Written Testimony before the Senate Tax Committee
SB 229 – Remittance Credit for Retailers
Submitted by J. Kent Eckles, Vice President of Government Affairs
Wednesday, March 13th, 2013**

The Kansas Chamber appreciates the opportunity to submit testimony in favor of Senate Bill 229.

The Chamber has a long-standing policy in support of mitigating the costs associated with collecting and remitting sales and excise taxes to the State. Currently, Kansas retailers are essentially acting as unpaid tax-collection agents for the state.

A 2006 Study conducted by PriceWaterhouseCoopers for tax administrators and retailers demonstrated that the average cost of collecting and remitting sales taxes is over 3% (3.09%) of all sales taxes collected - well above the 1.5% this bill would allow.

Allowing Kansas retailers a remittance credit would help cover their administrative collection costs such as programming cash registers, training employees, documenting exempt sales, responding to audits, preparing forms and remitting taxes. Each of these procedures costs Kansas employers. In many cases, the state's mandated accounting procedures and audits require the work of full-time employees at the sole expense of the retailer.

To provide a national perspective on the issue, 26 states currently offer a remittance credit or "vendor discount" of varying percentages and monthly or annual maximums.

See attached: *State Sales Tax Rates & Vendor Discounts* provided by the Federation of Tax Administrators.

You will also notice on the attached sheet that all of our surrounding states offer some degree of remittance credit for their retailers, which places Kansas at a competitive disadvantage.

We support this measure because it will reduce the cost of doing business in Kansas and therefore urge the committee to pass SB 229 favorably.

The Kansas Chamber, with headquarters in Topeka, is the leading statewide pro-business advocacy group moving Kansas towards becoming the best state in America to do business. The Chamber represents small, medium and large employers all across Kansas.



STATE SALES TAX RATES AND VENDOR DISCOUNTS

(January 1, 2013)

| STATE | STATE SALES | | VENDOR | |
|-------------------|-------------|------|----------------|---------------------------------------|
| | TAX RATE | RANK | DISCOUNT | MAX/MIN |
| ALABAMA | 4.0% | 38 | 5.0%-2.0% (1) | \$400/month (max) |
| ALASKA | | N/A | | |
| ARIZONA (9) | 6.6% | 9 | 1.0% | \$10,000/year (max) |
| ARKANSAS | 6.0% | 16 | 2.0% | \$1,000/month (max) |
| CALIFORNIA | 7.50% | 1 | None | |
| COLORADO | 2.9% | 46 | 2.22% (4) | |
| CONNECTICUT | 6.35% | 11 | None | |
| DELAWARE | | N/A | | |
| FLORIDA | 6.0% | 16 | 2.5% | \$30/report (max) |
| GEORGIA | 4.0% | 38 | 3.0%-0.5% (1) | |
| HAWAII | 4.0% | 38 | None | |
| IDAHO | 6.0% | 16 | None (5) | |
| ILLINOIS | 6.25% | 11 | 1.75% | \$5/year (min) |
| INDIANA (2) | 7.00% | 2 | 0.73% (2) | |
| IOWA | 6.00% | 16 | None | |
| KANSAS (9) | 6.3% | 11 | None | |
| KENTUCKY | 6.0% | 16 | 1.75%-1.0% (1) | \$1,500/period (max) |
| LOUISIANA | 4.0% | 38 | 1.1% | |
| MAINE | 5.0% | 31 | None (5) | |
| MARYLAND | 6.0% | 16 | 1.2%-0.90% (1) | \$500/return (max) |
| MASSACHUSETTS | 6.25% | 11 | None | |
| MICHIGAN | 6.0% | 16 | 0.5% (6) | \$6/month (min), \$15,000/month (max) |
| MINNESOTA | 6.875% | 7 | None | |
| MISSISSIPPI | 7.0% | 2 | 2.0% | \$50/month (max) |
| MISSOURI | 4.225% | 37 | 2.0% | |
| MONTANA | | N/A | | |
| NEBRASKA | 5.5% | 28 | 2.5% | \$75/month (max) |
| NEVADA (9) | 6.85% | 7 | 0.25% | |
| NEW HAMPSHIRE | | N/A | | |
| NEW JERSEY | 7.0% | 2 | None | |
| NEW MEXICO | 5.125% | 30 | None | |
| NEW YORK | 4.0% | 38 | 5.0% | \$200/quarter (max) |
| NORTH CAROLINA | 4.75% | 34 | None | |
| NORTH DAKOTA | 5.0% | 31 | 1.5% | \$93.75/month (max) |
| OHIO | 5.5% | 28 | 0.75% | |
| OKLAHOMA | 4.5% | 36 | 1.0% | 2,500/month (max) |
| OREGON | | N/A | | |
| PENNSYLVANIA | 6.0% | 16 | 1.0% | |
| RHODE ISLAND | 7.0% | 2 | None | |
| SOUTH CAROLINA | 6.0% | 16 | 3.0%-2.0% (1) | \$3,100/year (max) |
| SOUTH DAKOTA | 4.0% | 38 | None | |
| TENNESSEE | 7.0% | 2 | None | |
| TEXAS | 6.25% | 11 | 0.5% (7) | |
| UTAH (3) | 4.7% | 34 | 1.31% | |
| VERMONT | 6.0% | 16 | None (5) | |
| VIRGINIA (3) | 4.0% | 38 | 1.6%-0.8% (8) | |
| WASHINGTON | 6.5% | 10 | None | |
| WEST VIRGINIA | 6.0% | 16 | None | |
| WISCONSIN | 5.0% | 31 | 0.5% | \$10/period (min) |
| WYOMING | 4.0% | 38 | None | |
| DIST. OF COLUMBIA | 6.0% | 16 | None | |
| U. S. MEDIAN | 6.0% | | | 26 states allow vendor discounts |

Source: Compiled by FTA from various sources.

- (1) In some states, the vendors' discount varies by the amount paid. In AL and SC, the larger discounts apply to the first \$100. In GA, the larger discount applies to the first \$3,000. In KY, the larger discounts apply to the first \$1,000, while MD applies the larger discount to annual collections of \$6,000. The lower discounts apply to the remaining collections above these amounts.
- (2) Utilities are not permitted to take discount. Collection allowances are 0.73% if total sales tax collected is less than \$60,000; 0.53% if total taxes is between \$60,000 and \$600,000; 0.26% if total sales tax collected is more than \$600,000.
- (3) Rate does not include a statewide local rate of 1.0% in VA and 1.25% in UT.
- (4) Local option sales tax discount varies from 0% to 3.33%.
- (5) Vendors are not permitted to keep any excess collections prescribed under the bracket system.
- (6) Vendor discount only applies to the first 4.0% of the tax. A 0.75% discount if paid by the 7th of the month.
- (7) An additional discount of 1.25% applies for early payment.
- (8) Discount varies; 1.2% (1.6% for food) of the first \$62,500, 0.92% (1.2%) of the amount to \$208,000, and 0.6% (0.8%) of the remainder. Applies to the state tax only. No discount allowed on electronically file returns.
- (9) Sales tax rate in AZ is scheduled to fall to 5.6% on 6/1/13; KS will fall to 5.7% and NV will fall to 6.5% on 7/1/13.