

## HOUSE BILL No. 2730

By Committee on Taxation

2-18

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1 AN ACT concerning compensating tax revenue sharing; creating the  
2 marketplace fairness revenue sharing fund.

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4 *Be it enacted by the Legislature of the State of Kansas:*

5 Section 1. (a) The provisions of this act are intended to apply to  
6 increased sales or compensating tax revenues to this state arising as the  
7 result of enactment of the marketplace fairness act or a similar federal law  
8 that will authorize this state to enforce the collection of sales or  
9 compensating tax arising from remote sales to customers in this state and  
10 earmarks any resulting increased state revenue for the benefit of local  
11 government and the reduction of property taxes. For purposes of this act,  
12 "remote sale" means a sale into this state in which the seller would not be  
13 legally required to pay, collect or remit state or local sales and use taxes  
14 unless provided by the marketplace fairness act or similar federal  
15 legislation.

16 (b) There is hereby created the marketplace fairness revenue sharing  
17 fund. All moneys transferred or credited to such fund under the provisions  
18 of this act or any other law shall be allocated and distributed in the manner  
19 provided herein. The director of accounts and reports in each year on July  
20 15 and December 10, shall make transfers in equal amounts which in the  
21 aggregate equal the compensating taxes credited to the state general fund  
22 pursuant to articles 36 or 37 of chapter 79 of the Kansas Statutes  
23 Annotated, and amendments thereto, which the director of taxation has  
24 estimated resulting from increased collection of sales or compensating tax  
25 from remote sales during the preceding calendar year attributable to the  
26 marketplace fairness act, from the state general fund to the marketplace  
27 fairness revenue sharing fund. All such transfers are subject to reduction  
28 under K.S.A. 75-6704, and amendments thereto. All transfers made in  
29 accordance with the provisions of this section shall be considered to be  
30 demand transfers from the state general fund.

31 Sec. 2. (a) The state treasurer shall make a determination of the total  
32 amount of each county's entitlement from the marketplace fairness revenue  
33 sharing fund for each year prior to the first distribution from the fund in  
34 that year.

35 (b) In making the determination, the state treasurer shall allocate the  
36 total amount to be transferred to the marketplace revenue sharing fund for

1 distribution in that year, in the following manner: (1) Sixty-five percent of  
2 such amount shall be allocated on the basis of the population figures of the  
3 counties certified to the secretary of state pursuant to K.S.A. 11-201, and  
4 amendments thereto, on July 1 of the preceding year; and (2) the  
5 remaining 35% shall be allocated on the basis of the equalized assessed  
6 tangible valuations on the tax rolls of the counties on November 1 of the  
7 preceding year as certified by the director of property valuation.

8 (c) The total amount allocated to a county under the provisions of this  
9 section for any year shall be deemed to be that county's entitlement from  
10 the marketplace fairness revenue sharing fund for that year.

11 Sec. 3. Fifty percent of a county's entitlement from the marketplace  
12 fairness revenue sharing fund shall be the county government's share of  
13 such fund and the remaining 50% shall be allocated to each city in such  
14 county in the proportion that the population of each such city bears to the  
15 population of all such cities in the county. Persons residing within the Fort  
16 Riley military reservation shall not be included or considered in  
17 determining the population of any city located in Riley county or Geary  
18 county. The state treasurer shall make distributions from the marketplace  
19 fairness revenue sharing fund in accordance with the allocation formulas  
20 prescribed in the foregoing provisions of this act in installments on the  
21 dates prescribed in K.S.A. 79-2964, and amendments thereto. The director  
22 of accounts and reports shall draw warrants on the state treasurer in favor  
23 of the several county treasurers and city treasurers on the dates and in the  
24 amounts determined as provided. The distributions shall be paid directly to  
25 the several county treasurers and city treasurers who shall upon receipt of  
26 the moneys deposit the same in their respective county or city general  
27 funds.

28 Sec. 4. Each year, the county treasurer shall estimate the amount of  
29 money such treasurer's county and each city in such treasurer's county will  
30 receive from the marketplace fairness revenue sharing fund. The state  
31 treasurer shall advise each county treasurer, prior to June 1 of each year of  
32 the amount of the marketplace fairness revenue sharing fund, that the state  
33 treasurer estimates, upon consultation with the director of taxation and  
34 using the most recent available information, will be such county's  
35 entitlement in the following year. The county treasurer shall before June 15  
36 of each year, notify the treasurer of each city of the estimated amount in  
37 dollars of the distribution to be made from the marketplace fairness  
38 revenue sharing fund.

39 Sec. 5. Each year, the director of taxation shall estimate the amount of  
40 sales or compensating tax revenue received in the prior year from remote  
41 sales. The director of taxation shall also estimate the amount of sales or  
42 compensating tax revenue to be received from remote sales in the current  
43 year. In making estimations, the director may utilize department studies of

1 the fiscal impact of the federal market place fairness act on Kansas sales  
2 and use tax revenues as a basis and shall make determinations based on  
3 percentage changes. The initial baseline amount of sales and use tax  
4 revenue received for the first full year of collection for remote sales shall  
5 be set at \$67.5 million, unless the department finds from any analysis of  
6 new data, if performed by the department, that this amount is unreasonably  
7 inconsistent with such analysis. The department shall base subsequent  
8 annual estimates on a percentage increase in remote sales and use tax  
9 revenues of 5%, or such other percentage increase or decrease, as the  
10 department finds reasonable based upon the department's analysis of  
11 relevant data. The director of taxation shall inform the state treasurer of the  
12 director's determinations on or before May 15 of each year.

13 Sec. 6. This act shall take effect and be in force from and after its  
14 publication in the statute book.