



## Testimony in Opposition of HB2384 Before House Taxation Committee

Mr. Daniel Murray, Kansas State Director  
National Federation of Independent Business  
Tuesday, March 21, 2017

On behalf of the National Federation of Independent Business (NFIB), thank you for the opportunity to submit testimony on HB2384. NFIB is the state's leading small business organization representing small and independent businesses. A non-profit, nonpartisan organization founded in 1943, NFIB represents the consensus views of its over 4,200 members in Kansas.

**The NFIB opposes HB2384**, which requires many small businesses to begin collecting sales tax on the services they provide. Specifically, the bill would require small businesses providing the following services to begin collecting sales tax:

- Hair styling/cuts/color/etc.
- Manicure/Pedicure
- Other personal care services including hair removal, massage, tanning, tattooing, some spa services that are nonmedical, saunas/baths
- Gym memberships (nonprofit business)
- Dating services
- Towing
- Parking garage/Parking
- Rental of equipment with operator, such as limousine or cab
- Rental of equipment with operator use in construction where labor is taxable
- Digital goods, automated services, remote access software
- Installation of customized computer software
- Detective services
- Security services (monitoring, security guards, etc.)
- Nonresidential cleaning services (Real property)
- Pet care (excludes veterinary services)

Our opposition is based upon three specific concerns. First, the commencement date of January 1, 2018 will create an unfeasible implementation deadline for many small business owners. We would urge the committee to consider adopting a later commencement date, a phased-in implementation deadline, and/or an allowance for those many small businesses who may be caught unaware that they are newly required to collect sales tax for the state.

Second, the list of services impacted in HB2384 includes some services that we believe are primarily business to business and contribute to a business's ability to operate. Specifically, we have concerns about the following: rental of equipment in construction, security services, and nonresidential cleaning services.

Third, the collection and remittance of sales tax by retailers is a costly and burdensome state requirement. Unlike our neighboring states, Kansas retailers are not compensated for their role in serving as the state's tax collector. We continue to support the allowance for retailers to retain a portion of sales tax they collect for the state to account for their cost and burden. While we will

continue to fight for all retailers to retain a portion of the sales tax they collect for the state, at a minimum the newly impacted service providers should be allowed at least temporary remuneration for the burden and cost of equipping their business and complying with the new mandate.

Finally, one general concern our members have is that this new mandate, if adopted this session, would be just one more burden they will be facing in addition to the costly income tax hikes that these very businesses are seemingly facing. We would urge the committee to consider the cumulative impact of increasing income taxes on these small businesses and, at the same time, imposing a new and expensive requirement to serve as the state's tax collector.

Thank you for considering our concerns.