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Testimony in support of HB 2756

Committee on Taxation

Provided by Christy Hopkins, President
western Kansas Rural Economic Development Alliance

Thank you for allowing the opportunity for our organization to voice our support for HB 2756. The western Kansas Rural Economic Development Alliance is a coalition of people in 55 western Kansas counties who work together for the common economic good of western Kansas. Our members maintain a collaborative affiliation with each other so we can achieve our individual and collective rural development goals.

The internet is a wonderful tool for rural development. It allows businesses in rural areas to market their products and services to the world. However, without fair sales tax collection standards, local businesses are disadvantaged when Kansas customers can purchase identical products online from out-of-state retailers and avoid paying sales tax. Without HB 2756, local units of government miss out on retail sales tax revenue.

While nominal taxable retail sales have continued to increase statewide, non-metro taxable retail sales decreased in both 2015 and 2016, falling from \$12,693,300 in 2014 to \$12,092,200 in 2015 and \$11,851,300 in 2016.ⁱ Though it is difficult to isolate a single cause for these declines, the rate of online sales has grown dramatically over the past several years. Meanwhile, communities are also experiencing a decrease in compensating use tax, which should be increasing alongside online, remote sales - something doesn't add up.

Decreasing sales tax revenues indicate falling retail revenues, threatening both locally and corporately-owned businesses and downtowns while negatively impacting local government budgets. Ensuring that retail sales tax is collected on all sales levels the playing field for Kansas merchants, most of whom have made significant investments in our rural communities. When governments are unable to collect local option sales or compensating use tax on remote sales, this revenue source is worn down, harming local budgets and unfairly penalizing local businesses.

We are pleased to see the legislature take up this issue as it will improve local sales tax revenues and bring parity to Kansas businesses that compete with out-of-state online retailers.

ⁱ KU Institute for Policy & Social Research, Kansas County Profile Report, page 39, Nominal Taxable Retail Sales data