



Testimony of the Kansas Association of Counties to the
Senate Committee on Taxation
Proponent for SB 111 • February 8, 2017

Madam Chair and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill 111, a bill that addresses internet sales in Kansas and the non-payment of taxes on out-of-state purchases. SB 111 replicates a recent law from Colorado that adds a requirement for vendors who sell more than \$100,000 within the State of Kansas. Those vendors—if they do not collect state sales taxes—must send an annual report to buyers who purchase at least \$500 annually. The report must indicate the amount of purchases and the amount of state sales tax that was not collected but may be due. The vendors must also submit the report to the Kansas Department of Revenue. These reports do not ensure increased collection of sales taxes, but the reports will add clarity and affirm the obligation to report and pay the sales tax that Kansas requires. KAC supports SB 111 on behalf of its 105 member counties.

The collection of interstate revenue is largely a federal issue, and KAC rarely engages on federal matters. But sales tax has long been an issue of note for the National Association of Counties, and Colorado is modeling a system shows promise for a state solution. The result of SB 111 is a potential benefit to Kansas and to its counties. The National Conference of State Legislatures highlighted why the matter is so important with a 2012 study that revealed over \$23 billion in sales tax goes uncollected across the United States.¹ In Kansas, the study estimates \$279,224,028 in uncollected taxes;² a more recent study places the estimates at \$302 million in uncollected revenue. Today, 91 counties collect a local sales tax.³ Particularly in our rural counties, SB 111 is the type of legislation that gives Main Street an opportunity to remain competitive and our counties the necessary revenue to support infrastructure, public safety, and law enforcement.

Some might make the argument that online vendors are simply providing a more efficient method of operation that does not warrant the same collection of taxes. It is an important

¹ Estimated Uncollected Use tax from all Remote Sales in 2012. THE NATIONAL CONFERENCE OF STATE LEGISLATURES. Available at: www.ncsl.org/research/telecommunications-and-information-technology/2012-uncollected-use-tax.aspx.

² *Id.*

³ Local Sales Tax Information - Quarterly Updates (2017). KANSAS DEPARTMENT OF REVENUE. Available at: www.ksrevenue.org/salesratechanges.html.

consideration as industry experts predict more retailers will trade brick-and-mortar stores for virtual storefronts.⁴ But even out-of-state retailers use county infrastructure to deliver goods. All of this contributes to the degradation of our roads and bridges. SB 111 offers a square deal for those engaged in the market of goods by making it clear what taxpayers are supposed to pay under Kansas law.

KAC maintains a narrow set of policy goals on federal matters.⁵ But our counties have consistently supported legislation that ensures out-of-state retailers play by the same rules as the other businesses that are integral parts of the communities in Kansas. SB 111 is a worthwhile change to Kansas policy, and we ask this committee to support the bill.

Respectfully,



Nathan Eberline
Kansas Association of Counties

⁴ Matt Burgess. *Retail Future: Virtual Reality Set to Dominate Tomorrow's Shops* (2014) FACTOR MAGAZINE. Available at: www.factor-tech.com/future-cities/4451-retail-future-virtual-reality-set-to-dominate-tomorrows-shops/.

⁵ Kansas Association of Counties 2017 Policy Statement. Available at: www.kansascounties.org/DocumentCenter/View/2316.

Appendix A

Information from the National Association of Counties (www.naco.org)



KANSAS

	<u>UNCOLLECTED REVENUE, 2013:</u>	<u>UNCOLLECTED REVENUE 2011-2013 GROWTH RATE:</u>
STATE	\$302.1 M	12.6 %
NATIONAL	\$ 26.1 B	10.2 %

Congress should act now on this critical issue for counties by passing legislation like the Marketplace Fairness Act (MFA) or the Remote Transactions Parity Act (RTPA) by the end of the year.

- **MFA/RTPA is not a new tax.** It would allow state and local governments to collect existing sales and use taxes on remote sales.
- MFA/RTPA would enable state and local governments to collect sales taxes that are already owed each year that could be dedicated to providing important local services such as infrastructure, public safety, education and economic development.
- Passing federal legislation would level the playing field for local retailers who are at a competitive disadvantage to online retailers who do not have to collect taxes.

Source: NACo Analysis of data from U.S. Census Bureau; U.S. Bureau of Economic Analysis; Federal Communications Commission; University of Tennessee.



MISSING REVENUE IS CRITICAL FOR SERVICES INCLUDING:

ROAD AND BRIDGE MAINTENANCE	LAW ENFORCEMENT	PUBLIC HEALTH	EDUCATION	ECONOMIC DEVELOPMENT	SOLID WASTE DISPOSAL	ENVIRONMENTAL COMPLIANCE