

Date: February 18, 2021
To: Chairman Adam Smith and House Taxation Committee Members
From: Trey Cocking, Deputy Director
Re: Testimony in Support of HB 2230

Chairman Smith and Taxation Committee Members, thank you for the opportunity to testify in support of HB 2230 on behalf of the League of Kansas Municipalities' member cities.

Imposing a tax on digital goods should not be viewed as a new tax, but a tax on purchases that were previously taxed and purchased from local stores. Over the last five years Kansas has seen a sluggish growth in retail sales tax and the shift to untaxed digital goods is a contributor.

Our membership adopted the following statement for the League's 2020 legislative policy:

In order to ensure a fair playing field between brick-and-mortar businesses and online businesses, sales tax should be levied on digital good transactions including print, audio, video, software, games, and streaming services that provide those digital goods.

The inability of governments to collect sales tax on digital goods has led to a reduction in sales tax dollars from these types of items and an increased reliance on property taxes. One can only look at the demise of Blockbuster to understand this shift to digital goods. Blockbuster at its peak had 4,500 stores in the United States and today there is only one store left in Bend, Oregon. Adopting a sales tax on digital goods is essential to bring tax fairness to Kansas' brick-and-mortar businesses.

Brick-and-mortar sellers are at a 7-10% price disadvantage, depending on their location in Kansas compared to online sellers. These retailers are carrying a heavier burden because digital goods sellers are not required to collect and submit retail sales tax. It is time to update the laws and make equitable the collection of sales and compensating use tax.

Based on this testimony, the League of Kansas Municipalities requests you pass HB 2230 favorably out of committee and to the full House.