AN ACT concerning taxation; relating to marketplace facilitators, requiring collection and remittance of sales, compensating use and transient guest taxes; retailer doing business in this state, nexus; amending K.S.A. 79-3702 and repealing the existing section.

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

New Section 1. As used in sections 1 through 4, and amendments thereto:

(a) "Department" means the department of revenue.

(b) (1) "Marketplace facilitator" means a person, including any affiliate of the person, that:

(A) Contracts or otherwise agrees with marketplace sellers to facilitate for consideration, regardless of whether deducted as fees from the transaction, the sale of the marketplace seller's products or rooms, lodgings or accommodations through a physical or electronic marketplace operated, owned or otherwise controlled by the person; and

(B) either directly or indirectly through contracts, agreements or other arrangements with third parties, collects the payment from the purchaser and transmits all or part of the payment to the marketplace seller.

(2) A "marketplace facilitator" includes a person that provides a platform through which unaffiliated third parties offer to rent to and collect consideration from occupants for rental, for a period of less than 29 consecutive days, of rooms, lodgings, accommodations, homes, apartments, cabins or residential dwelling units that are intended to be used as a room, lodging or sleeping accommodation by one person or by two or more persons maintaining a common household, to the exclusion of all others. A person is not a marketplace facilitator with respect to the sale or charges for rooms, lodgings or sleeping accommodations described in K.S.A. 36-501, and amendments thereto, if such rooms, lodgings or sleeping accommodations are provided by a hotel, rooming house, guest house, boarding house or other place that is a licensed lodging establishment under K.S.A. 36-502, and amendments thereto, and the licensed lodging establishment provides the rooms, lodgings or sleeping accommodations for occupancy under a brand belonging to such person or under a brand for whom such person facilitates sales or charges.

(3) A "marketplace facilitator" does not include:
(A) A platform or forum that exclusively provides advertising services, including listing products for sale, so long as the advertising service platform or forum does not also engage directly or indirectly through one or more affiliated persons in the activities described in section 1(b)(1)(A) or (b)(1)(B), and amendments thereto;

(B) a person whose principal activity with respect to marketplace sales is to provide payment processing services between two parties; or

(C) a derivatives clearing organization, designated contract market, foreign board of trade or swap execution facility, registered with the commodity futures trading commission, and any clearing members, futures commission merchants or brokers when using the services of the commodity futures trading commission.

(c) "Marketplace seller" means a seller that makes sales through any physical or electronic marketplace operated, owned or controlled by a marketplace facilitator.

(d) "Tax" means:

1. The retailers' sales tax imposed under K.S.A. 79-3603, and amendments thereto;
2. the compensating use tax imposed under K.S.A. 79-3703, and amendments thereto; or
3. the transient guest tax imposed under K.S.A. 12-1693 or 12-1697, and amendments thereto, or any applicable city or county resolution or ordinance.

New Sec. 2. (a) Any marketplace facilitator selling or facilitating the sale of property or services subject to tax in this state shall be required to collect and remit such taxes and follow all applicable procedures and requirements provided by law for the collection and remittance of such taxes. A marketplace facilitator shall only be required to collect and remit such taxes if the following criteria are satisfied in the previous calendar year:

1. The marketplace facilitator makes sales of property or services otherwise subject to tax in the state in an amount exceeding $100,000; or
2. if a marketplace facilitator makes or facilitates the sale of property or services subject to tax in the state, on its own behalf or on behalf of one or more marketplace sellers, for delivery into this state in an amount exceeding $100,000.

(b) The department may grant a waiver from the requirements of this section if a marketplace facilitator demonstrates, to the satisfaction of the department, that substantially all of its marketplace sellers already are collecting and remitting taxes to the department. If such waiver is granted, the taxes levied shall be collectible from the marketplace seller. The department shall promulgate rules and regulations that establish:

1. The criteria for obtaining a waiver pursuant to this section;
(2) the process and procedure for a marketplace facilitator to apply for a waiver; and
(3) the process for providing notice to an affected marketplace facilitator and marketplace seller of a waiver obtained pursuant to this subsection.

(c) Nothing in this section shall prohibit the marketplace facilitator and the marketplace seller from contractually agreeing to have the marketplace seller collect and remit all applicable taxes and fees if the marketplace seller:
(1) Has annual gross sales in the United States over $1,000,000,000, including the gross sales of any related entities, and, in the case of franchised entities, including the combined sales of all franchisees of a single franchisor;
(2) provides evidence to the marketplace facilitator that the marketplace seller is registered pursuant to K.S.A. 79-3608, and amendments thereto; and
(3) notifies the department in the manner prescribed by the department that the marketplace seller will collect and remit all applicable taxes and fees on sales through the marketplace and is liable for failure to collect or remit applicable taxes and fees on such sales.

New Sec. 3. (a) Except as provided in section 2(b) or (c), and amendments thereto, a marketplace facilitator doing business in this state under section 2, and amendments thereto, shall collect and remit the taxes on all taxable sales made by the marketplace facilitator or facilitated for marketplace sellers to customers in this state, regardless of whether the marketplace seller for whom sales are facilitated has registered to collect taxes or would have been required to collect taxes if the sale had not been facilitated by the marketplace facilitator. A marketplace facilitator has the same rights and duties as a seller to collect and remit all such taxes. Marketplace facilitators and marketplace sellers may enter into agreements with each other regarding fulfillment of the requirements of this section, but the marketplace facilitator remains the party that is liable to the state for fulfilling such requirements.

(b) A marketplace facilitator shall either:
(1) Report any taxes collected on taxable sales made directly by the marketplace facilitator, or affiliates of the marketplace facilitator, to customers in this state using a separate form to be published by the department; or
(2) report the amount of taxes owed and the amount of taxes actually collected on taxable sales made directly by the marketplace facilitator, or affiliates of the marketplace facilitator.
(c) No class action may be brought against a marketplace facilitator in any court of this state on behalf of customers arising from or in any way
related to an overpayment of tax collected on sales facilitated by the
marketplace facilitator, regardless of whether that claim is characterized as
a tax refund claim. Nothing in this subsection affects a customer's right to
seek a refund as provided under K.S.A. 79-3650, and amendments thereto.
(d) Nothing in this section affects the obligation of any consumer to
remit the tax for any taxable transaction for which a marketplace facilitator
or seller does not collect and remit the tax.
(e) The department shall solely audit the marketplace facilitator for
sales made by marketplace sellers but facilitated by the marketplace
facilitator, except with respect to transactions that are subject to section
2(c) or (d), and amendments thereto. The department shall not audit or
otherwise assess tax against marketplace sellers for sales facilitated by a
marketplace facilitator except to the extent that the marketplace facilitator
seeks relief under subsection (f) or with respect to transactions that are
subject to section 2(c) or (d), and amendments thereto.
(f) A marketplace facilitator shall be relieved of liability under this
section for failure to collect and remit the correct amount of tax to the
extent that the error was due to incorrect or insufficient information on the
nature of the product or service given to the marketplace facilitator by the
marketplace seller, if the marketplace facilitator can demonstrate a
reasonable effort to obtain correct and sufficient information from the
marketplace seller. This subsection shall not apply if the marketplace
facilitator and the marketplace seller are under common ownership and
control.
(g) The department may waive penalties and interest if a marketplace
facilitator seeks liability relief and the department determines that
reasonable cause exists.
(h) A marketplace facilitator shall be relieved of liability under this
section if it can prove, to the satisfaction of the department, that the tax
levied on a sale facilitated by the marketplace facilitator was paid to the
department by the marketplace seller.
New Sec. 4. A marketplace facilitator shall not be required to collect
and remit any taxes from sales occurring prior to July 1, 2020.
Sec. 5. K.S.A. 79-3702 is hereby amended to read as follows: 79-
3702. For the purposes of this act: (a) "Purchase price" means the
consideration paid or given or contracted to be paid or given by any person
to the seller of an article of tangible personal property for the article
purchased. The term shall include, in addition to the consideration paid or
given or contracted to be paid or given, the actual cost of transportation
from the place where the article was purchased to the person using the
same in this state. If a cash discount is allowed and taken on the sale it
shall be deducted in arriving at the purchase price.
(b) The meaning ascribed to words and phrases in K.S.A. 79-3602,
and amendments thereto, insofar as is practicable, shall be applicable herein unless otherwise provided. The provisions of K.S.A. 79-3601 to through 79-3625, inclusive, 79-3650, K.S.A. 79-3693 and 79-3694, and amendments thereto, relating to enforcement, collection and administration, insofar as practicable, shall have full force and effect with respect to taxes imposed under the provisions of this act.

(c) "Use" means the exercise within this state by any person of any right or power over tangible personal property incident to the ownership of that property, except that it shall not include processing, or the sale of the property in the regular course of business, and except storage as hereinafter defined.

d) "Storage" means any keeping or retaining in this state for any purpose except sale in the regular course of business or subsequent use solely outside this state of tangible personal property purchased from a retailer.

e) "Storage" and "use" do not include the keeping, retaining or exercising of any right or power over tangible personal property shipped or brought into this state for the purpose of subsequently transporting it outside the state for use thereafter solely outside the state, or for the purpose of being processed, fabricated, or manufactured into, attached to or incorporated into, other tangible personal property to be transported outside the state and thereafter used solely outside the state.

(f) "Property used in processing" means: (1) Any tangible personal property—which that, when used in fabrication, compounding, manufacturing or germination, becomes an integral part of the new article resulting from such fabrication, compounding, manufacturing, or germination, and intended to be sold ultimately at retail; and (2) fuel—which that is consumed in creating power, heat, or steam for processing or for generating electric current.

(g) "Retailer" means every person engaged in the business of selling tangible personal property for use within the meaning of this act, except that, when in the opinion of the director it is necessary for the efficient administration of this act to regard any salesperson, representatives, truckers, peddlers or canvassers as the agents of the dealers, distributors, supervisors, employers or persons under whom they operate or from whom they obtain the tangible personal property sold by them, irrespective of whether they are making sales on their own behalf or on behalf of such dealers, distributors, supervisors, employers, or persons, the director may so regard them and may regard the dealers, distributors, supervisors, employers, or persons as retailers for the purposes of this act.

(h) (1) "Retailer doing business in this state" or any like term, means:
(A) Any retailer maintaining in this state, permanently, temporarily, directly or indirectly through a subsidiary, agent or representative, an
office, distribution house, sales house, warehouse or other place of business;

(B) any retailer utilizing an employee, independent contractor, agent, representative, salesperson, canvasser, solicitor or other person operating in this state either permanently or temporarily, for the purpose of selling, delivering, installing, assembling, servicing, repairing, soliciting sales or the taking of orders for tangible personal property;

(C) any retailer, including a contractor, repair person or other service provider, who enters this state to perform services that are enumerated in K.S.A. 79-3603, and amendments thereto, and who is required to secure a retailer's sales tax registration certificate before performing those services;

(D) any retailer deriving rental receipts from a lease of tangible personal property situated in this state;

(E) any person regularly maintaining a stock of tangible personal property in this state for sale in the normal course of business; and

(F) any retailer who has any other contact with this state that would allow this state to require the retailer to collect and remit tax under the provisions of the constitution and laws of the United States; and

(G) (i) for any retailer that does not satisfy any of the requirements contained in subparagraphs (A) through (E), such retailer shall be a retailer doing business in this state, if:

(a) For calendar year 2019, the retailer had in excess of $100,000 of cumulative gross receipts from sales by the retailer to customers in this state;

(b) for the period beginning on January 1, 2020, through September 30, 2020, the retailer had in excess of $100,000 of cumulative gross receipts from sales by the retailer to customers in this state; or

(c) during the current or immediately preceding calendar year, the retailer had in excess of $100,000 of cumulative gross receipts from sales by the retailer to customers in this state.

(ii) (a) For any retailer who satisfies the provisions of subparagraph (G)(i), such retailer shall not be required to collect and remit any taxes from sales occurring prior to October 1, 2020.

(b) For any retailer who satisfies the provisions of subparagraph (G)(i)(c) for sales in the current calendar year for the first time, such retailer shall be required to collect and remit the tax on any sales in excess of the $100,000 of cumulative gross receipts from sales in the current calendar year by the retailer to customers in this state.

(2) A retailer shall be presumed to be doing business in this state if any of the following occur:

(A) Any person, other than a common carrier acting in its capacity as such, that has nexus with the state sufficient to require such person to collect and remit taxes under the provisions of the constitution and laws of
the United States if such person were making taxable retail sales of
tangible personal property or services in this state:

(i) Sells the same or a substantially similar line of products as the
retailer and does so under the same or a substantially similar business
name;
(ii) maintains a distribution house, sales house, warehouse or similar
place of business in Kansas that delivers or facilitates the sale or delivery
of property sold by the retailer to consumers;
(iii) uses trademarks, service marks, or trade names in the state that
are the same or substantially similar to those used by the retailer;
(iv) delivers, installs, assembles or performs maintenance services for
the retailer's customers within the state;
(v) facilitates the retailer's delivery of property to customers in the
state by allowing the retailer's customers to pick up property sold by the
retailer at an office, distribution facility, warehouse, storage place or
similar place of business maintained by the person in the state;
(vi) has a franchisee or licensee operating under its trade name if the
franchisee or the licensee is required to collect the tax under the Kansas
retailers' sales tax act; or
(vii) conducts any other activities in the state that are significantly
associated with the retailer's ability to establish and maintain a market in
the state for the retailer's sales.

(B) Any affiliated person conducting activities in this state described
in subparagraph (A) or (C) has nexus with this state sufficient to require
such person to collect and remit taxes under the provisions of the
constitution and laws of the United States if such person were making
taxable retail sales of tangible personal property or services in this state.

(C) The retailer enters into an agreement with one or more residents
of this state under which the resident, for a commission or other
consideration, directly or indirectly refers potential customers, whether by
a link or an internet website, by telemarketing, by an in-person oral
presentation, or otherwise, to the retailer, if the cumulative gross receipts
from sales by the retailer to customers in the state who are referred to the
retailer by all residents with this type of an agreement with the retailer is in
excess of $10,000 during the preceding 12 months. This presumption may
be rebutted by submitting proof that the residents with whom the retailer
has an agreement did not engage in any activity within the state that was
significantly associated with the retailer's ability to establish or maintain
the retailer's market in the state during the preceding 12 months. Such
proof may consist of sworn written statements from all of the residents
with whom the retailer has an agreement stating that they did not engage in
any solicitation in the state on behalf of the retailer during the preceding
year, provided that such statements were provided and obtained in good
faith. This subparagraph shall take effect 90 days after the enactment of
this statute and shall apply to sales made and uses occurring on or after the
effective date of this subparagraph and without regard to the date the
retailer and the resident entered into the agreement described in this
subparagraph. The term "preceding 12 months" as used in this
subparagraph includes the 12 months commencing prior to the effective
date of this subparagraph.

(D) The presumptions in subparagraphs (A) and (B) may be rebutted
by demonstrating that the activities of the person or affiliated person in the
state are not significantly associated with the retailer's ability to establish
or maintain a market in this state for the retailer's sales.

(E) The retailer is subject to the provisions set forth in subsection (h)
(1)(G) for a retailer doing business in this state and has in excess of
$100,000 of cumulative gross receipts from sales by the retailer to
customers in this state. Such retailer shall have nexus with this state
sufficient to require such retailer to collect and remit taxes under the
provisions of the constitution and laws of the United States.

(3) The processing of orders electronically, by fax, telephone, the
internet or other electronic ordering process; does not relieve a retailer of
responsibility for collection of the tax from the purchaser if the retailer is
doing business in this state pursuant to this section.

(i) "Director" means the director of taxation.

(j) As used in this section, "affiliated person" means any person that
is a member of the same "controlled group of corporations" as defined in
section 1563(a) of the federal internal revenue code as the retailer or any
other entity that, notwithstanding its form of organization, bears the same
ownership relationship to the retailer as a corporation that is a member of
the same "controlled group of corporations" as defined in section 1563(a)
of the federal internal revenue code.

(k) "Cumulative gross receipts" means gross receipts as defined in
K.S.A. 79-3602, and amendments thereto, and includes the gross receipts
received by the retailer from its own direct sales combined with the gross
receipts from sales facilitated on behalf of retailers by a marketplace
facilitator or marketplace facilitators, as defined in section 1, and
amendments thereto.

Sec. 6. K.S.A. 79-3702 is hereby repealed.

Sec. 7. This act shall take effect and be in force from and after its
publication in the statute book.