



**Testimony to Kansas House Committee on Taxation  
Supporting HB 2585  
Wednesday, February 7th  
The Greater Kansas City Chamber of Commerce**

The Greater Kansas City Chamber of Commerce (KC Chamber), representing approximately 2,000 members (40% of which are in Kansas) supports HB 2585 that will encourage commercial remodeling construction in all areas of the state. This important legislation will provide clarity to builders on a confusing area of sales tax law and help spur commercial remodeling construction that will benefit the state and the greater Kansas City area.

HB 2585 would exempt “labor services” involved in commercial remodeling construction from sales tax and make the state more competitive with our surrounding states. The impact of sales tax on commercial remodeling labor can be significant as the current 6.5% base state sales tax rate together with any city, county and possible special assessment rates can result in combined sales tax rates of 6.5% to nearly 11.5% depending on a project’s location. Every commercial remodeling construction project is different depending on the type, location, and complexity of the project. Obviously, the negative impact of imposing sales tax on labor services on any given commercial remodeling project only increases as labor services costs approach or sometimes exceed the cost of materials.

The KC Chamber believes the elimination of this labor services tax is long overdue. None of Kansas’ neighboring states impose such a tax and only a few states nationwide do so. This harmful tax puts Kansas at a competitive disadvantage with other states and is especially true in the Kansas City area.

Sales tax law can be very confusing and distinguishing remodeling construction from original construction is often extremely difficult and misunderstanding leads to mistaken payment or nonpayment of tax. Adoption of HB 2585 would eliminate much of this confusion and uncertainty. We believe elimination of sales tax on commercial remodeling construction will encourage such construction and help to preserve and improve older commercial structures throughout the state. With newly renovated buildings come new and expanded businesses, new employees, and residents to the state and new homes in our communities. Such growth will produce additional tax revenues to state and local governments.

The KC Chamber urges this committee’s support of HB 2585 and thanks you for your consideration and always for your public service.

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