

Testimony in Support of HB 2603
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House Taxation Committee
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Sales taxes are a necessary and, more importantly, locally determined and collected form of tax that provides critical funding for the most basic budgetary needs of city and state government.

Over the last 20 years states, including Kansas, have been struggling to maintain budgets in part due to sales tax collections which are much lower than they should be as more and more consumers avoid paying local taxes by shopping online.

This in turn has shifted disproportionately the tax burden onto local brick and mortar small businesses and residents to make up the shortfall with increasing sales and property tax rates. Because most states have use tax laws that they do not enforce, local businesses are being outcompeted as an unwitting matter of law against their out of state rivals. A spiral effect has been created: lower tax receipts and lower small business profitability as the basis for income taxes are strangling the public budget of the people of Kansas.

I commend and am grateful to Representative Ron Highland for bringing forward H.B. 2603 as the first step toward solving this issue. What we need most, and where we need to get to, is a nationally mandated solution that solves this cross-border sales tax problem for all 45 states it affects which has had wide bipartisan support but has yet to get a vote in the U.S. House. I am referring to HR2775 (RTPA). Kansas needs to get on board with this effort to support both its Kansas-based businesses and its business tax base, calling for passage and giving a mandate to our federal elected representatives to support RTPA.

Until this happens, H.B. 2603 will raise awareness with Kansans of their obligations to the state, already a matter of state law for decades, to pay sales taxes (called use taxes on cross-border transactions) on goods for which they do not pay the other state's sales tax. It will help to recover just some of the estimated \$400M lost last year alone in unremitted taxes on these transactions. How much difference could \$400M make in light of the current shortfalls in our state budget? How many controversies would go away to fully fund multiple priorities that are now being cut to balance the budget?

More really needs to be done in order for Kansas to correct this issue, and it can do so at its own burden and expense to enforce this already legislated tax with online sellers that sell into Kansas, or it could pass H.B. 2603 while calling immediately for our federal legislators and particularly those in the U.S. House of Representatives to bring RTPA to a vote, already overwhelmingly passed in a Senate version and unopposed by the executive branch.