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Date: March 1, 2018

To: The House Tax Committee
From: Richard U. Nienstedt, City Manager, City of Ottawa, Kansas
John Coen, President/CEO Ottawa Area Chamber of Commerce
Re: Testimony in Support HB 2756

Thank you for allowing us this opportunity to provide testimony on behalf of the City of Ottawa, Franklin County Kansas in favor of House Bill 2756.

A uniform online sales tax imposed by the State of Kansas will, in our opinion, allow state and local governments to collect much needed revenue that can be used to improved current infrastructure and other governmental programs, and potentially ease the need for increases to property tax. In the name of fairness to all participants, anyone selling to purchasers in Kansas should be placed on the same playing field as our local retailers.

As you are aware, most online revenue will come from the largest online retailing sources, such as Amazon, Apple, and Wal-Mart.¹ But, please keep in mind, local retailers are invaluable to the economic health of our communities and the State of Kansas, as they provide local economic activity and much needed jobs to our citizens. An online uniform sales tax will, to some extent, allow small town retailers to be on a more level playing field with the Goliaths of the retail industry.

One of the ongoing arguments posed by large online retailers relates to the difficulty in the ability to track sales tax rates. This may have had some validity in the 1990s; however, such validity has diminished greatly with advances in technology. As early as 2010, in a revised article on this topic, Michael Mazerov, writing for the Center on Budget and Policies Priorities explains why Amazon's own business practices and arguments against online sales tax do not hold up any longer. Mazerov also explained that Amazon has strategically located themselves to make the most of the advantage they experience by not having to collect on line sales tax.² "... each year Amazon's report to the Securities and Exchange Commission acknowledges that the price advantage with which the company starts out vis-à-vis local stores and other competitors that are obligated to charge sales taxes is a key strategic asset."³

Of course the big three are not the only online retailers. The prosperity of the State of Kansas is absolutely dependent upon the prosperity of our communities. Over 82% of Kansans live in incorporated cities. In an effort to promote healthy and sustainable communities, we stand in favor of House Bill 2756 and strongly encourage the State of Kansas to pass legislation that puts all internet sales on the same playing field with local retailers.

¹ Pros and Cons of an Internet Sales Tax | Investopedia <https://www.investopedia.com/articles/personal-finance/121615/pros-and-cons-internet-sales-tax.asp#ixzz58538qbAy>

² <https://www.cbpp.org/sites/default/files/atoms/files/11-16-09sfp.pdf>

³ ibid