



March 16, 2021

Emily Fetsch, Director of Fiscal Policy  
Kansas Action for Children  
Written proponent testimony on HB 2395  
House Taxation Committee

Chair Smith and Members of the Committee:

Thank you for the opportunity to provide testimony in support for House Bill 2395. Kansas Action for Children (KAC) is a nonprofit, nonpartisan organization. Our vision is to make Kansas the best state to raise -- and be -- a child, and we shape health, education, and economic policies that improve the lives of Kansas children and families. We support budget and tax policy that prioritizes investments in children and families, particularly those with low incomes.

KAC believes Kansas lawmakers should enact legislation to collect sales tax from marketplace facilitators to modernize Kansas' tax code, level the playing field for small businesses, and capture a sustainable and renewable source of revenue that our state needs. This bill has the potential to increase tax fairness between Kansas businesses and their out-of-state counterparts that use a third-party marketplace facilitator. We are happy to see this bill, unlike previous bills related to marketplace facilitators that have been discussed in the House Taxation committee this year, does not have a specified *de minimis* threshold, which will ensure fairness between Kansas and out-of-state businesses.

Since 2018, when the United States Supreme Court issued its decision in the case of South Dakota v. Wayfair, Inc., almost all states with sales taxes have implemented collection and remittance obligations for marketplace facilitators. Currently, Kansas is one of three states that has not yet enacted a marketplace facilitator provision. This bill would make Kansas businesses economically competitive with other states' businesses by ensuring marketplace facilitators collect and remit this revenue. Without these changes, the state puts in-state businesses, which are required to collect and remit Kansas sales tax, at an economic disadvantage from their out-of-state competitors that use marketplace facilitators and avoid having to collect and remit sales tax. **KAC would like to emphasize this is not a new tax, but instead changes who is responsible for the collection and remittance of the tax, shifting the responsibility from individual Kansans to the out-of-state marketplace facilitators.**

A marketplace facilitator bill would increase compensating use tax revenue by an estimated \$43.1 million in the first year (FY22) and \$49.4 million in the second year (FY23). These additional monies could be used for a variety of the state's needs. The options include: 1) addressing an anticipated budget shortfall, 2) growing the state's rainy day fund, and 3) investing in programs to help Kansans recover from the economic downturn caused by COVID-19.

KAC supports policy that would remove the unfair advantage out-of-state marketplace facilitators have in Kansas, while also establishing a sustainable source of revenue during a time of economic hardship. We believe this bill will level the playing field for Kansas businesses against their out-of-state competitors. Thank you for the opportunity to share our thoughts. If you have any questions, please contact me at [emily@kac.org](mailto:emily@kac.org).