

To: Senate Committee on Assessment and Taxation
From: Spencer Duncan, Government Affairs Director
Date: March 21, 2023
RE: HB 2106 – Communication Services Sales Tax Exemption
In Opposition – Written Testimony

Thank you to the Chair and the Committee for the opportunity to provide this testimony.

The League of Kansas Municipalities opposes policies that erode the overall tax base without a specific outlined benefit. Too many sales tax exemptions create a system that puts the tax burden on too few citizens instead of a more equitable distribution which can lead to overall tax reductions for everyone. HB 2106 creates yet another sales tax exemption that will have a negative economic impact on cities. We ask you to vote NO on HB 2106.

Sales tax exemptions should be limited to those in which the benefits outweigh sales-tax dollars lost. HB 2106 does not meet that exception. Cities value communication services and recognize the importance they have to quality of life for Kansans. However, they do not meet the threshold of needing to be exempt from sales tax.

This exemption would result in millions of dollars of lost revenue for cities and the state of Kansas. Municipalities are already restricted by state statute in how they can manage franchise fees with many of these same companies.

At the least, The League asks an amendment be offered to remove local sales tax from the exemption. Local sales-tax collection is a home rule issue and should remain in local control. If cities choose to provide a tax-exempt designation to communication services for the local portion of sales tax, they can ask for that authority at the appropriate time.

The state has the right to make determinations on what it does with its portion of sales tax, but any exemption considered by the Legislature should leave whole local sales-tax collections to be determined at the local level. We offer the following language as a guide: *“Such sales tax exemption shall not reduce the collection or remittance of local sales.”*

Thank you for your time and consideration of these issues. I am always available to provide additional information and answer any questions you have.



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