

Date: February 15, 2017

To: House Committee on Taxation

From: Larry R. Baer  
General Counsel

Re: HB 2177 – Neutral Testimony

Thank you for the opportunity to appear before you today and present testimony on House Bill 2177 on behalf of the League of Kansas Municipalities and our member cities. Although the League has stood in support of the Streamline Sales Tax Agreement (SSTA) from the beginning, the League is neutral on this specific matter.

HB 2177 would repeal destination based sourcing and replace it with origin based sourcing for the collection and remittance of sales tax for most intrastate sales. This change will have a differing impact upon cities depending upon a city's retail situation. Those cities that serve as a "regional retail sales hub" will probably see an increase in sales tax revenue, as the city's sales tax rate will be applied to goods sold whether they are picked up at the store or delivered to a destination outside of the city limits. Cities that are more remote and rely upon purchasing retail in a regional retail city and having those goods delivered to their residents are more likely to see a decrease in sales tax revenue.

For the above reason, HB 2177 has the potential to create "winners" and "losers" among our member cities. We are not here to express an opinion, good or bad, on this. Rather, we want to be certain that the committee members were aware of this possibility.

As a longtime supporter of the SSTA, the League initially had a concern that the proposed change would have a negative impact upon the ability of Kansas to continue as a participant in the SSTA. We understand that this is permitted under SSTA and, therefore, this concern has been resolved favorably. Finally, we had concerns that the change in sourcing rules would be used as the first step to the removal of Kansas from the SSTA. We have received confirmation from the proponents that this is not their intent.

We ask that you keep the League's concerns in mind as you work this bill.

Thank you.