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To: Senate Assessment and Taxation Committee
From: Patrick Vogelsberg
Date: May 17th, 2017
Subject: Written-only opposition to HB 2380.

Honorable Chairwoman Tyson and members of the Senate Assessment and Taxation Committee:

On behalf of the Kansas Association of REALTORS® (KAR), thank you for the opportunity to provide some written comments regarding HB 2380, specifically as it relates to imposing sales tax on alarm system installation and monitoring services; sales tax on non-residential cleaning services; and sales tax on mini-warehouses and self-storage units.

KAR represents over 8,500 members involved in both residential and commercial real estate and has advocated on behalf of the state's property owners for over 95 years. REALTORS® serve an important role in the state's economy and are dedicated to working with our elected officials to create better communities by supporting economic development, a high quality of life and providing affordable housing opportunities while protecting the rights of private property owners.

KAR has concerns regarding HB 2380 as it subjects security and fire alarm installation and monitoring services to sales tax. See NAIC 561621.

Our general concern is that this would increase the costs on Kansas homeowners and business owners. Homes and businesses are commonly the largest investments individuals have and as such many Kansans choose to protect these investments with various security and fire alarm services.

Kansas communities benefit as a whole from individuals' decision to have these systems in place. There are savings to local government for law enforcement as these systems not only are a deterrent to theft but allow for quicker detection and response by law enforcement. This leads to quicker apprehension and prosecution of criminals resulting in savings to law enforcement and the criminal justice system. Likewise, there are savings for fire protection. Not only are fire alarms critical to saving lives of occupants, but monitoring services allow for quicker response by firefighters, thus minimizing or preventing the total loss of the property.

Arguably, these alarm systems offer savings in the form of insurance premiums, not only to individuals with these systems, but the broader insurance pool in the form of rate savings due to fewer or less costly claims.

Kansans who choose to protect their assets with alarm systems should be encouraged to maintain these services and not be burdened with increasing the cost with a sales tax on the installation and ongoing monitoring services.

Additionally, HB 2380 seeks to impose a sales tax on non-residential cleaning services. Again, this will increase the cost on commercial property owners who utilize cleaning services to maintain their buildings.

Lastly, KAR has concerns with imposing a sales tax on mini-warehouses and self-storage units. See NAICS 531130. Our concern is that imposing a sales tax on mini-warehouses and self-storage units would establish a dangerous precedent of subjecting the leasing or rental of real property to sales tax. REALTORS® believe that instituting a tax on economic activity is equivalent to raising the price of the good or service and thus the demand for this good or service is reduced. Furthermore, imposing a sales tax on these businesses increases the cost of doing business by requiring businesses to collect and remit sales tax to the state. While larger companies engaged in mini-warehouses and self-storage rental could comply with the additional burden, smaller companies may find the burden too great to continue, thus frustrating their investment in commercial real estate. KAR cautions the committee that this is a dangerous path to go down.

KAR would respectfully request that the Senate Assessment Taxation Committee consider our concerns if it plans to work HB 2380.

Thank you for your time and consideration of this matter.

Respectfully submitted,

A handwritten signature in black ink that reads "Patrick Vogelsberg". The signature is written in a cursive style with a horizontal line above the first few letters.

Patrick Vogelsberg, JD
Vice President of Governmental Affairs
Kansas Association of REALTORS®

2017	Corresponding Index
NAICS	Entries
561621	Alarm system monitoring services
561621	Alarm systems sales combined with installation,
561621	Burglar alarm monitoring services
561621	Burglar alarm sales combined with installation,
561621	Fire alarm monitoring services
561621	Fire alarm sales combined with installation, repair, or
561621	Security alarm systems sales combined with
561621	Security system monitoring services

2017	Corresponding Index
NAICS	Entries
561720	Aircraft janitorial services
561720	Building cleaning services, interior
561720	Building cleaning services, janitorial
561720	Cleaning homes
561720	Cleaning offices
561720	Cleaning shopping centers
561720	Custodial services
561720	Deodorant servicing of rest rooms
561720	Deodorizing services
561720	Disinfecting services
561720	Housekeeping services (i.e., cleaning services)****
561720	Janitorial services
561720	Janitorial services, aircraft
561720	Maid services (i.e., cleaning services)
561720	Office cleaning services
561720	Residential cleaning services****
561720	Rest room cleaning services
561720	Restaurant kitchen cleaning services
561720	Service station cleaning and degreasing services
561720	Venetian blind cleaning services
561720	Washroom sanitation services
561720	Window cleaning services
	***Residential not included

2017	Corresponding Index
NAICS	Entries
531130	Equity real estate investment trusts (REITs), primarily leasing miniwarehouses and self-storage units
531130	Lessors of miniwarehouses
531130	Lessors of self-storage units
531130	Miniwarehouse rental or leasing
531130	Real estate rental or leasing of miniwarehouses and self-storage units
531130	Self-storage unit rental or leasing
531130	Self-storage warehousing
531130	U-lock storage
531130	Warehousing, self-storage