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March 1, 2018
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Kansas Center for Economic Growth
Verbal testimony in support of House Bill 2756
House Taxation Committee

Chair Johnson and Members of the Committee:

Thank you for the opportunity to provide testimony on Kansas tax policy. The Kansas Center for Economic Growth (KCEG) is a nonpartisan organization dedicated to promoting balanced budget and tax policies that help ensure all Kansans prosper. **We are submitting testimony in support of House Bill 2756 because collecting internet sales tax is an important step in modernizing our tax code and leveling the playing field for Kansas businesses. Additionally, this legislation would result in a sustainable and renewable revenue source for the state as we reinvest in core services.**

Many other state legislatures, including Kansas, have taken steps to implement their own taxes on internet sales. The various strategies collect taxes that are already owed but very rarely remitted. HB 2756 strengthens Kansas' existing internet sales tax legislation and implements three provisions found in other states. First, like Minnesota, the legislation requires online marketplaces to collect and remit sales tax on third-party sales in the marketplace. Second, following the lead of Massachusetts, the legislation requires out-of-state retailers with software "cookies" in Kansas to collect and remit sales tax. Third, the Kansas sales tax is extended to include a broad range of digital goods. These measures help bring Kansas' sales tax code into the 21st century.

There are two primary benefits of HB 2756. First, in early 2018 the Government Accountability Office (GAO) released a report that indicated Kansas could have gained between \$113 million and \$170 million in revenue from taxes on internet sales in 2017.ⁱ Collecting these monies is an important step in rebuilding the Kansas economy and moving toward a structurally balanced budget. Second, small businesses in Kansas are disadvantaged by a marketplace in which customers can make online purchases without

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paying state and local sales tax. HB 2756 is a good step in protecting local Main Street businesses and contributing to the overall economic activity of the Sunflower State.

Tax policy should be broad-based and provide a balanced revenue stream. Kansas' economy is strongest when the three-legged stool of income tax, sales tax, and property tax is balanced. HB 2756 is a crucial step in modernizing our tax code and increasing parity for Kansas businesses. For these reasons, we urge you to support this legislation.

Thank you for the opportunity to submit testimony on House Bill 2756 and please do not hesitate to contact me (heidi@realprosperityks.com) if you have any questions.

ⁱ GAO, State Policy Reports, January 2018, Volume 36, Issue 1