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**Presentation to the Senate Assessment & Taxation Committee
February 27, 2012**

**By Kenneth L. Daniel, Jr.
Chairman, Midway Wholesale, Topeka
Publisher, KsSmallBiz.com**

Mr. Chairman and Members of the Committee:

My name is Kenneth Daniel. I am registered lobbyist, but today I am speaking on behalf of small businesses in Kansas.

In past years I did a huge amount of research, writing, speaking, and working to save Kansas small businesses from the Streamlined Sales Tax Project (SSTP), one of the most damaging pieces of legislation ever enacted in Kansas from the small business standpoint.

My business is in full compliance with the Kansas version of SSTP and has been since the first day it went into effect. It cost us \$50,000 to get into compliance, even though our computer programs did not have to be modified. Last year, it cost us \$15,000 to continue to comply, and will cost that much or more from now on.

Now this bill, Senate Bill 317, would seek to expand the extremely unfair SSTP nationwide.

**Sn. Assmnt & Tax
2-21-12**

Attachment # 6

Destination sourcing is a red tape fiasco that rivals OSHA and D.O.T. for us. We have 125 employees. Unlike smaller companies, we were able to throw enough money and high-priced talent at this to make the conversion without it becoming a permanent threat to us.

At this point destination sourcing is giving us a huge competitive advantage over our smaller competitors. Unfortunately, we are giving up a huge competitive advantage to our large competitors like Home Depot, Lowe's and ABC Supply.

When the SSTP was first proposed, we were promised we would be paid for collecting destination taxes. Kansas isn't paying us. If I could receive a 3% collection fee on the portion of the sales taxes that are outside my local tax jurisdictions, it would repay me just about exactly for my ongoing costs. Missouri pays us 3% of all taxes we collect for them. Kansas pays Missouri retailers 3% of all taxes they collect for Kansas. It is a slap in the face to force us to eat these costs just because we are "yours".

MYTH: "BIG RETAILERS ARE NOW COLLECTING KANSAS TAXES, BUT ONLY BECAUSE WE ENACTED THE SSTP". FACT: Wal-Mart, Target, Sears, Gap, Circuit City and at least twenty other big retailers have started collecting in ALL states. Amazon started collecting in Kansas to avoid a lawsuit because they have a warehouse in Coffeyville. I have not been able to identify a single retailer who is discriminating based on Kansas having passed the SSTP.

MYTH: "THIS IS ALREADY PUTTING MONEY INTO THE POCKETS OF LOCAL GOVERNMENTS". FACT: Locals are losing revenue. Locals will not "make" any money on the SSTP unless Congress legalizes it. In the meantime,

about \$25 million in local sales tax revenues are being lost statewide because rural areas have lower tax rates than the trade centers. This is being masked by millions in new use tax revenues being enjoyed by the trade centers.

MYTH: "THIS IS MAKING MONEY FOR RURAL CITIES AND COUNTIES". **FACT:** The extra money they are getting, an estimated \$30 million per year, is coming or will come out of the pockets of the trade centers, which think they are winning because of the new use taxes.

MYTH: "A \$500,000 'DE MINIMUS' EXEMPTION WILL FIX THE PROBLEM". **FACT:** This isn't legal on the state level. Such an exemption has been mentioned as a possible part of the federal SSTP legislation, but it would only apply to remote retailers, not to retailers within a given state. This would help only a small number of Kansas-based remote sellers.

MYTH: "KANSAS IS LOSING (\$80 MILLION) (\$150 MILLION) (\$400 MILLION) IN SALES TAXES BECAUSE OF THE INTERNET." **FACT:** The maximum possible additional sales taxes, based on U.S. government statistics on e-commerce, would have been about \$32 million last year. Some of these taxes were collected, and a significant portion of these sales weren't taxable, anyway.

The "destination sourcing" provisions of the Streamlined Sales Tax Projectd:

- Gives a major competitive advantage to big retailers.
- Will be a significant entry barrier to new small business startups.

Will damage Kansas small business at a time when small business should be leading the Kansas economy out of its doldrums.

Thank you. I will be happy to answer any questions you may have.

Study Shows Sales Tax Collection Costs Retailers \$6.8 Billion

For Immediate Release
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Study Shows Sales Tax Collection Costs Retailers \$6.8 Billion

WASHINGTON, D.C., May 5, 2006 – The National Retail Federation today welcomed a new study showing that it costs retailers \$6.8 billion annually to collect state and local sales taxes across the nation, saying the study could help merchants in their long-sought goal of receiving appropriate compensation for the collection costs.

“This establishes once and for all what retailers have claimed all along – that there is an inherent cost in doing the state’s business,” NRF Vice President and Government and Industry Relations Counsel Maureen Riehl said. “This lays the groundwork for all retailers of all sizes and types and in all channels – bricks-and-mortar, mail-order or on-line – to be able to expect to receive reasonable compensation.”

A study conducted by the accounting firm PricewaterhouseCoopers LLP released this week found that retailers’ cost of collecting sales tax – from training personnel to filing paperwork – amounts to an average of 3.09 percent of the amount of tax collected, or \$6.8 billion annually nationwide.

The costs hits hardest on small retailers, with those with annual sales under \$1 million averaging 13.47 percent, those between \$1 million and \$10 million averaging 5.2 percent and those above \$10 million averaging 2.17 percent, according to the study. For small and medium-size retailers, the two largest components of the costs are preparation of tax returns and documentation of tax-exempt sales. For small retailers, personnel training is the No. 3 component while for medium retailers the credit and debit card fees attributable to sales tax are the third-highest component. For large retailers, credit/debit card fees are the largest component, followed by unrecovered sales tax paid due to bad debts and training of personnel.

The study was commissioned by the Joint Cost of Collection Study group, made up of NRF, some NRF member companies and other retailers, the Council on State Taxation, the Multistate Tax Commission, the Federation of Tax Administrators, the National Conference of State Legislatures and the Government Finance Officers Association.

JCCS operates under the auspices of the Streamlined Sales Tax Project, the organization that crafted the 2003 Streamlined Sales and Use Tax Agreement (SSUTA) that is the basis of a current voluntary system making it easier for states to require Internet sellers, mail-order merchants and other out-of-state retailers to collect sales tax on merchandise sold to their residents. Legislation is pending in Congress to make collection mandatory.

Riehl said retailers would likely use the data from the new study in two steps, the first being to set appropriate compensation levels under the SSUTA program. The data could later be used to seek appropriate compensation for all channels of retail, including bricks-and-mortar stores. That effort would likely evolve on a state-by-state basis, taking into consideration the revenue conditions of the states involved.

While sales tax simplification has been primarily aimed at leveling the playing field between bricks-and-mortar merchants and growing Internet commerce, it also makes sales tax compliance easier for all retailers, Riehl said. If states are required in the future to compensate retailers for the cost of collection, they will be given a strong incentive to adopt simplification agreements that help lower those costs, she said.

Only 18 states currently provide retailers with any compensation for the costs of collecting sales tax, and most cap compensation at unrealistically low figures set years ago, typically \$100 or \$200 per company per month regardless of size, sales volume or number of stores.

The National Retail Federation is the world's largest retail trade association, with membership that comprises all retail formats and channels of distribution including department, specialty, discount, catalog, Internet, independent stores, chain restaurants, drug stores and grocery stores as well as the industry's key trading partners of retail goods and services. NRF represents an industry with more than 1.4 million U.S. retail establishments, more than 23 million employees - about one in five American workers - and 2005 sales of \$4.4 trillion. As the industry umbrella group, NRF also represents more than 100 state, national and international retail associations. www.nrf.com.

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Top and Bottom Metros by Index

TOP 25, ALL U.S. METROPOLITAN AREAS			BOTTOM 25, ALL U.S. METROPOLITAN AREAS		
Rank	MSA	Index	Rank	MSA	Index
National Index: 100					
1	Ocean City, NJ	147.7	339	Jackson, MI	64.5
2	Bellingham, WA	139.5	340	Binghamton, NY	63.4
3	Medford, OR	138.7	341	Laredo, TX	62.7
4	Carson City, NV	137.1	342	Kokomo, IN	62.6
5	San Jose-Sunnyvale-Santa Clara, CA	137.0	343	Lawton, OK	62.3
6	Barnstable Town, MA	135.6	344	Sioux Falls, SD	61.8
7	Austin-Round Rock, TX	134.2	345	Mansfield, OH	61.2
8	Dalton, GA	129.9	346	Lakeland, FL	59.3
9	Harrisonburg, VA	129.4	347	Palm Coast, FL	59.1
10	Gainesville, GA	129.3	348	Rocky Mount, NC	58.4
11	Glens Falls, NY	129.3	349	Tyler, TX	58.4
12	New York-Northern New Jersey-Long Island, NY-NJ-	128.7	350	Columbus, OH	58.2
13	Lewiston, ID-WA	128.4	351	Sandusky, OH	58.2
14	Santa Rosa-Petaluma, CA	128.3	352	Amarillo, TX	57.1
15	Bridgeport-Stamford-Norwalk, CT	127.5	353	Hinesville-Fort Stewart, GA	56.7
16	Eugene-Springfield, OR	126.4	354	Decatur, IL	55.7
17	Mount Vernon-Anacortes, WA	126.3	355	Joplin, MO	53.0
18	Redding, CA	125.1	356	Cleveland-Elyria-Mentor, OH	52.6
19	Longview, WA	125.0	357	Wichita Falls, TX	52.3
20	Corvallis, OR	124.1	358	Racine, WI	51.3
21	Bend, OR	124.0	359	Burlington, NC	48.4
22	Atlantic City, NJ	123.9	360	San Angelo, TX	46.7
23	Burlington-South Burlington, VT	123.6	361	Auburn-Opelika, AL	44.6
24	Valdosta, GA	122.7	362	Topeka, KS	44.2
25	Lancaster, PA	122.4	363	Kankakee-Bradley, IL	28.6



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