



**Testimony in Support of SB229**  
**Mr. Daniel Murray Kansas State Director: NFIB**  
**Senate Assessment & Taxation Committee**  
**March 13, 2013**

Good morning Chairman Donovan and members of the Committee. My name is Dan Murray and I am the State Director of the National Federation of Independent Business/Kansas. NFIB is the state’s leading small business organization representing small and independent businesses. A non-profit, nonpartisan organization founded in 1943, NFIB represents the consensus views of its roughly 4,000 members in Kansas.

I am pleased to be here in strong support of SB229, which would provide vendor compensation to retailers for the burden of collecting retail sales and compensating use taxes on behalf of the State of Kansas. The bill would allow a retailer to receive a credit of 1.5% of the amount of retail sales and compensating use taxes that are remitted up to a maximum of \$200. **Small business supports this measure for three main reasons: 1) collection and remittance of sales tax is a costly burden, particularly for small business, for which the state should compensate; 2) the bill will make tax collection compensation fairer; and 3) the bill will make Kansas more competitive with our neighbors.**

**Compliance Costs**

The collection and remittance of sales tax creates a financial hardship for retailers, particularly small retailers. A study by the firm PriceWaterhouseCooper, on behalf of the Streamlined Sales Tax Governing Board, firmly upheld this assertion. **Their Joint Cost of Collection Study concluded that the compliance cost as a percentage of sales tax collected was 13.47% for small retailers, with a weighted average of 3.09% for all retailers.** Compliance costs, based on the study, were six times higher for small retailers than for large retailers (See Chart Below).

Compliance costs as a percentage of:	Annual Retail Sales Tax Class			
	\$150,000 - \$1,000,000	\$1,000,000 - \$10,000,000	Over \$10,000,000	Weighted Average
Sales Tax Collected	13.47%	5.20%	2.17%	3.09%
Taxable Sales	0.82%	0.32%	0.13%	0.19%

Source: Joint Cost of Collection Study, PriceWaterHouseCooper  
[http://www.streamlinedsalestax.org/uploads/downloads/Small%20Seller%20Task%20Force/Small\\_Seller\\_JCCS\\_Briefing.pdf](http://www.streamlinedsalestax.org/uploads/downloads/Small%20Seller%20Task%20Force/Small_Seller_JCCS_Briefing.pdf)

**Retailers listed the following as the source of the administrative burden and cost of collection:** 1) training of personnel on sales tax; 2) documenting tax-exempt sales; 3) customer service relating to sales tax issues; 4) sales tax-related software and license fees; 5) programming and servicing cash registers; 6) returns preparation and related costs; 7) dealing with sales tax audits and appeals; and 8) other compliance costs. Additionally, retailers pay debit/credit card fees on sales tax collections.

The State of Washington’s Department of Revenue conducted a similar study which yielded similar results. Their analysis determined that the total cost of collecting and remitting sales tax is 6.47% of total state and local sales tax collections for small retailers, 3.35% for medium retailers and 0.97% for large retailers. Small retailers are defined as retailers with gross retail sales between \$150,000 and \$400,000. Medium-sized retailers are defined

as those with annual gross retail sales between \$400,000 and \$1,500,000 and large taxpayers are those with annual gross sales over \$1,500,000. For all retailers the total cost is 4.23 percent of total state and local sales tax collections when weighted by number of taxpayers.

([http://dor.wa.gov/Content/AboutUs/StatisticsAndReports/Retailers\\_Cost\\_Study/default.aspx](http://dor.wa.gov/Content/AboutUs/StatisticsAndReports/Retailers_Cost_Study/default.aspx))

### **Unfair System**

Other state and government tax collectors are compensated for collecting and remitting taxes. It is fundamentally unfair to require private retailers to collect sales tax without any compensation, while the governmental entities that collect income taxes and property taxes are compensated for their efforts. Further, as I understand, the Department of Administration retains a portion of fees that they collect on behalf state government agencies. Thus, government acknowledges that there is a cost associated with collecting and remitting taxes and fees and compensates itself for the associated costs. Yet, no such accommodation is made to the small business retailer who has far fewer resources. This is patently inequitable.

### **Competitive Disadvantage**

Kansas retailers are at competitive disadvantage with retailers in all of our bordering states. Colorado, Missouri, Nebraska and Oklahoma all reimburse retailers for their efforts in collecting and remitting sales taxes. As the table below demonstrates, our neighboring states acknowledge the burden they place on retailers and accordingly compensate for at least some of the cost.

<b>State</b>	<b>Vendor Compensation</b>	<b>Max/Min</b>
<b>Colorado</b>	2.22%	
<b>Missouri</b>	2.0%	
<b>Nebraska</b>	2.5%	\$75/month (max)
<b>Oklahoma</b>	1.0%	\$2,500/month (max)

Source: Federation of Tax Administrators

### **Summary**

Multiple, credible studies indicate that retailers endure a significant administrative burden and compliance costs associated with serving as the government's sales tax collection agent. The cost of collection and remittance is particularly burdensome for small retailers who lack the resources and economies of scale. Further, it is unfair that various governmental entities are rewarded for collecting taxes and fees, but private businesses are not. Finally, Kansas' contiguous neighbors all compensate retailers for collecting sales tax, putting Kansas retailers at a competitive disadvantage. NFIB/Kansas urges your support of SB229.