



**Testimony in Support of HB2162
Before Senate Assessment & Taxation Committee**

**Mr. Daniel Murray, Kansas State Director
National Federation of Independent Business
Friday, March 24, 2017**

On behalf of the National Federation of Independent Business (NFIB), thank you for the opportunity to submit testimony on HB2162. 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 over 4,200 members in Kansas.

The NFIB supports HB2162, which increases the threshold filing amounts for retailers to submit sales taxes to the state. Specifically, the bill would increase the threshold amounts from \$80 to \$400 for the annual filing; from \$3,200 to \$4,000 for quarterly filings; and from \$32,000 to \$40,000 for the monthly filings. Thus, sales tax amounts greater than \$40,000 would be prepaid on a monthly basis. The original bill only dealt with the annual filing requirement. However, the House amended the bill to include all three thresholds. We supported the House's effort to increase all thresholds and make them uniform on the "4's".

Specific to the annual sales tax threshold, it determines whether retailers are required to prepay sales taxes in the first 15 days of every month based upon collections from the subsequent calendar year to the Department of Revenue. Under current law, when the total retail sales tax collected for the state by a retailer exceeds \$32,000 in any calendar year, the retailer is required to pay the sales tax liability for the first 15 days of each month to the director on or before the 25th day of that month. HB2162 would increase that threshold from \$32,000 to \$40,000.

First, this annual threshold has not been increased in at least 30 years. Conversely, the state sales tax rate has jumped from 4% to 6.5% in the last 30 years. Therefore, even if prices remained flat on goods, retailers are collecting larger amounts of sales tax on the same amount of goods sold they sold 30 years ago. It is only fair and reasonable to increase the threshold to account for the increase in sales tax rate. Additionally, the prices of goods and services has naturally increased due to inflation. Thus, regardless of the sales tax rate increase, it is time to revisit and increase the threshold.

Second, the threshold for those retailers required to make quarterly and monthly payments to the Department doubled from \$1,600 to \$3,200 in 2004 with the passage of HB2704. We are not certain what the legislative wisdom was at that time for only increasing the quarterly and monthly threshold. But, we believe it is only fair to allow for growth in the annual threshold at this time. The change will not result in less sales tax remitted to the state. It will only change whether some smaller retailers are required to prepay monthly their sales tax collections based upon the previous year's collections.

The collection and remittance of sales tax by retailers is a costly and burdensome state requirement. Unlike our neighboring states, Kansas retailers are not compensated for their role in serving as the state's tax collector. We continue to support the allowance for retailers to retain a portion of sales tax they collect for the state to account for their cost and burden. Such proposal is not before you today, and not likely this session given the fiscal implications. However, we would urge you to at least support HB2162 which will provide some additional breathing room for smaller retailers.