

Date: March 4, 2020

To: Chairman Steven Johnson and House Taxation Committee Members

From: Trey Cocking, Deputy Director

Re: Testimony in Support of HB 2685

Chairman Johnson and Taxation Committee Members, thank you for the opportunity to testify in support of HB 2685 on behalf of the League of Kansas Municipalities' member cities.

The inability of governments to collect sales tax on digital goods has led to a reduction in sales tax dollars and an increased reliance on property taxes. One can only look at the demise of Blockbuster to understand this shift to digital goods. Blockbuster at its peak had 4,500 stores in the United States and today there is only one store left in Bend, Oregon. Adopting a sales tax on digital goods is essential to bring tax fairness to Kansas' brick-and-mortar businesses.

Our membership has added the following statement to our 2020 legislative policy:

In order to ensure a fair playing field between brick and mortar businesses and online businesses, sales tax should be levied on digital good transactions including print, audio, video, software, games, and streaming services that provide those digital goods.

Imposing a tax on digital goods should not be viewed as a new tax, but a tax on purchases that were previously taxed and purchased from local stores. Over the last five years Kansas has seen a sluggish growth in retail sales tax and the shift to untaxed digital goods is a contributor.

Brick-and-mortar sellers are at a 7-10% price disadvantage, depending on their location in Kansas compared to online sellers. These retailers are carrying a heavier burden because digital goods sellers are not required to collect and submit retail sales tax. It is time to update the laws and make equitable the collection of sales and compensating use tax.

Based on this testimony, the League of Kansas Municipalities requests you pass HB 2685 favorably out of committee and to the full House.