

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman John Edmonds at 9:00 a.m. on February 18, 2004 in Room 313-S of the Capitol.

All members were present except:

Representative Lee Tapanelli- excused
Representative Nancy Kirk- excused

Committee staff present:

Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Revisors of Statutes
Carol Doel, Committee Secretary

Conferees appearing before the committee:

Ken Daniels, Midway Wholesale
Hal Hudson, NFIB
Honorable Joan Wagnon, Secretary of Revenue
Jeff Levin, Varney's Bookstore, Manhattan

Others attending:

See Attached List.

Chairman Edmonds opened the meeting asking for any bill introductions. With no one wishing the introduction of a bill, The Chairman opened continuation of the public hearing on **HB 2700** and **2599**.

First to be recognized was Ken Daniels, Chairman and C.E.O., Midway Sales & Distributing, Inc. and 2004 Chairman, Kansas Leadership Council, National Federation of Independent Business (NFIB). Mr. Daniels spoke in support of both **HB 2700** and **HB 2599** stating that his company has come into compliance with destination sourcing in the last seven months of 2003 at a cost of \$50,000 even though their computers were already programmed to handle it. This year it will cost an addition \$20,000 and in future years the estimated cost will be \$10,000 to \$20,000 to keep in compliance. Mr. Daniels also supplied the committee with information on the effects of destination sourcing as presently designed, analysis based on collecting only the State rate from remote retailers, sales tax losses, and conversion costs for Kansas retailers as well as ongoing destination sourcing costs for Kansas retailers. (Attachment 1) Also submitted for committee review was a summary of the revenue effects of destination sourcing and remote tax collections. (Attachment 2)

Chairman Edmonds acknowledged Hal Hudson, Kansas State Director of NFIB (National Federation of Independent Business) who came before the committee with testimony taking no position on **HB 2700**. On the question of whether or not to collect sales tax from remote sellers has been asked of the NFIB members and almost half of the members were in favor and almost half opposed the issue, therefore, they do not support, **HB 2700**. They do, however, support **HB 2599** as some of the smallest NFIB members do now own computers and most of those who do have computers are faced with expensive upgrades of the computer and/or software just to comply with the law. This problem hits the small business of the State of Kansas the hardest.

(Attachment 3)

Jeff Levin, Varney's Book Store, Manhattan, Kansas was next to address the committee. Mr. Levin stated that he is one of the people who started SSTP. At present his frustration as a text book seller is that the customers in his town buy from other sources such as on the internet, etcetera, where they don't have to pay sales taxes, but yet the sales taxes that are payed by his company are used for community services which those same customers use. Mr. Levin stated that he is very competitive with his prices. In his testimony he made the statement that \$500.00 for text books was not uncommon and with the current Manhattan sales tax, the tax would be \$36.60 which is, in a lot of cases, is more than shipping, therefore the students look at that closely. He is losing business because of it. They come into his store, use his computers and order their books online. He stands in opposition to **HB 2700**. He is in compliance and it has cost him about .05% of his total sales. He continues to stand in favor SSTP, however he does think that it shouldn't have been