



SB 41 Oral Proponent Testimony
Kansas Restaurant & Hospitality Association
January 26th, 2023
Scott Schneider JD

Chair and members of the committee the Kansas Restaurant & Hospitality Association supports this measure because our members pursued a career in food and service and while tax collecting is an obligation of businesses, the State of Kansas should share in the complexity of collecting taxes. SB 41 provides a retailer a small benefit of up to \$300 a month for collecting the state's tax at their cost. We especially think this is an appropriate bill given the recent burdensome nature of the new food sales tax law. The KRHA encouraged the legislature to not bifurcate the tax on food because the result will be both unfair and unmanageable. The Department of Revenue recently put out their 26 page guidance.¹ As expected, the non-compliance risk for sellers of food has dramatically increased. Fork or no fork now has new meaning. I would encourage you to share with your local food retailers the new guidance and gauge their response.

The State of Washington did a report on the costs to collect taxes and I provided a summary below. The Washington report further states, "The results show that the cost of collecting and remitting sales tax is not equal across the three size groups of retailers. Small taxpayers face the largest burden, 6.47 percent of sales tax collections, large taxpayers the smallest, 0.97 percent of sales tax collections. The average sales tax cost as a percentage of sales tax collections is over six and one-half times greater for small retailers than for large retailers. To the extent that small Washington retailers compete with large Washington retailers, the cost of collecting and remitting sales tax puts small retailers at a competitive disadvantage."

The point of sales systems cost thousands of dollars and to reprogram them to stay in compliance with government complexity it costs is over \$100 an hour. SB 41 is a reasonable way to think about the collection burdens and costs placed on our retailers to collect Kansas taxes.

¹ <https://www.ksrevenue.gov/pdf/pub1223.pdf>

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KRHA MEMBER SERVICES



KRHA EDUCATION FOUNDATION



KRHA INSURANCE SERVICES



KRHA WORKERS' COMP FUND

	Small	Medium	Large	Total, weighted by number	Total, weighted by dollars
Additional clerk/cashier hours	--	--	--	--	--
Additional/ more complex POS equipment	1.59%	--	--	0.69%	0.06%
Additional customer service	0.15%	0.18%	0.006%	0.13%	0.03%
Additional training	--	--	--	--	--
POS rate and base changes	0.32%	0.72%	0.07%	0.42%	0.14%
Credit and debit card fees	0.89%	0.74%	0.76%	0.81%	0.76%
Total audit costs	0.012%	0.041%	0.001%	0.021%	0.006%
Storage cost	0.03%	0.02%	0.003%	0.02%	0.006%
Appeals cost	--	0.001%	0.0001%	0.0004%	0.0002%
Total cost of filing tax return	3.27%	1.35%	0.08%	1.94%	0.34%
Cost of mistakes	0.17%	0.30%	0.05%	0.20%	0.08%
Total Costs	6.47%	3.35%	0.97%	4.23%	1.42%
Float	0.51%	0.40%	0.40%	0.45%	0.40%
Lower B&O (Washington Business & Occupation Rate)	0.18%	0.20%	0.23%	0.20%	0.22%
Total Benefits	0.69%	0.60%	0.63%	0.65%	0.62%

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