



ORAL TESTIMONY - OPPOSITION

HB 2380 - An Act concerning sales and compensating use tax.

Senate Committee on Assessment and Taxation
May 17, 2017

Whitney Damron
On behalf of the
Self Storage Association
www.selfstorage.org

Good morning Madam Chair Tyson and Members of the Committee.

I am Whitney Damron representing the Self Storage Association appearing before you today in opposition to portions of HB 2380 that would impose state and local retail sales taxes on self storage rental agreements.

The Self Storage Association is a national trade organization headquartered in Alexandria, Virginia representing thousands of owners and operators of self storage facilities in all fifty states.

By way of information, nationally there are more than 50,000 self storage facilities in operation. Kansas is the 27th largest in this industry with more than 700 facilities and the Self Storage Association counts 110 as members.

Section 5 of the bill, beginning on page 29 imposes a sales tax on the gross receipts of a self-storage rental transaction by amending K.S.A. 2016 Supp. 79-3603 (a) with the addition of NAICS code 531130 to transactions subject to a gross receipts tax (page 30, line 13).

The rental of a self-storage unit is a real estate transaction – the rental of real property. That is the basis for the existing exemption from the imposition of a sales tax on these consumer transactions. The customer is renting real estate for the storage of their own property and is not dissimilar to the rental of a home, apartment, mobile home park space, office or conference room, flea market/antique space, warehouse or a retail store. This exemption has withstood the test of time by remaining in statute after several legislative reviews of sales tax exemptions.

The Self Storage Association offers the following points for the Committee's information:

- Only 8 states apply sales tax to self-storage transactions.
- 70% of long-term renters do not have storage space at their residence.
- 49% of self-storage tenants are changing residences.
- 9% are storing a student's items.
- 9% store inherited items due to a death in the family.
- Self-storage operators that sell products (e.g., moving supplies) collect sales tax on those transactions.

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Imposition of a sales tax on self-storage transactions is being considered absent substantial input from the industry as to the potential impact an 8-10% increase in their rental fees will have on customers. The Self Storage Association is not unsympathetic to the need for revenue by the Kansas Legislature to fund government services. However, we would respectfully request that should it be the will of the Kansas Legislature to increase state revenues through the repeal of longstanding sales tax exemptions, the process should be open, deliberate and comprehensive and not targeted to a handful of interests late in the session.

The Self Storage Association would respectfully ask this Committee to adhere to the longstanding premise that the rental of real property, including self-storage space should not be subject to a sales or gross receipts tax.

On behalf of the Self Storage Association, I thank you for your consideration of our comments in opposition to portions of HB 2380 related to NAICS #531130

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NAICS – North American Industry Classification System (2017)