



MEMORANDUM

To: Mayor and City Council

From: Mike Land, City Manager

Date: January 22, 2019

Reference: Consider approval of a contract for state governmental affairs representation regarding online remote sales tax legislation with HMWK, LLC, John Kroll, Principal; and authorizing the City Manager to sign the necessary documents

2030: Business Prosperity – Goal 1: Retention and attraction of businesses that generate revenue for the City; Sustainable City Government – Goal 5: Financial resources to support city services.

General Information:

John Kroll has worked with the City of Coppell since 2007 as part of our ongoing efforts to monitor Federal and State legislation related to online and remote sales tax. Through the years at the Federal level there have been several pieces of legislation introduced which could in one or another either negatively or positively affect sales tax revenue in the City of Coppell.

With the recent Supreme Court decision, *South Dakota vs. Wayfair*, states throughout the country including Texas are specifically addressing through legislation and rule-making how to collect sales tax from sellers who do not have a physical presence within their respective state.

While the City of Coppell is fortunate to be home to several online retailers such as Amazon, sales tax from this type of online retailer has not been a significant sales tax contributor due to the current structure of State of Texas laws and rules. With the recent Wayfair decision, it is possible that this could change. More importantly to the City of Coppell though is the current collection of sales tax revenue generated business to business. Business to Business sales tax generation is the largest contributor of sales taxes for the City of Coppell.

If the language in any proposed legislation and subsequent rules were to change the definition of online remote sales, City of Coppell sales tax collections could be severely and negatively impacted.

Mr. Kroll is an expert in this arena, is extremely familiar with the City of Coppell's circumstance, as he is with many other similarly situated cities throughout the State and has a solid working relationship with the State Comptroller's office. This is doubly important because the legislation that will be presented to the legislature is being written by the Comptroller's office. So too are the rules that will be followed once the new legislation is approved.

With this contract Mr. Kroll will work with the City of Coppell through the legislative session, rule-making and implementation of any changes because of the actions of the State Legislature.

Legal Review:

Coppell City Attorney Robert Hagar has reviewed the contract.

Fiscal Impact:

The contract is for one year and is for a total of \$60,000.00

Recommendation:

Staff recommends approval of the contract for state governmental affairs representation regarding online remote sales tax legislation with HMWK, LLC, John Kroll, Principal; and authorizing the City Manager to sign the necessary documents