

To: House Taxation Committee

From: Trey Cocking, Deputy Director

Date: March 12, 2020

RE: Testimony in opposition to House Bill 2656

Good Morning Mister Chair and Committee Members and thank you for allowing the League of Kansas Municipalities to testify in opposition to House Bill 2656

Maintaining the current countywide sales tax distribution formula is imperative to cities across Kansas. This is an issue from Johnson County cities to Johnson City. This is an issue from the City of Wichita (population 389,255) to the City of Fredrick (population 9). The revenue sharing process in KSA 12-192 has been in law since 1978 and the formula has worked. In 2019, 492 Kansas cities received a total of \$264,946,887. 82 Kansas counties received \$206,766,966 through the formula.

Many cities across the state use the proceeds from this tax for property tax reduction and to pay debt service. If this law went into effect, it would cause cities to have to raise property taxes across the state. There is no guarantee that an interlocal agreement could be reached between cities and the county, let alone approved by the Attorney General as required under law.

The 1978 formula was the result of compromise and working together to find a funding source for both counties and cities. In most cases, most of the sales tax is generated inside city limits and there has been a recognition that a portion of those sales tax dollars should stay where they are generated.

The current property tax structure does not benefit city residents. City property taxpayers pay the same tax for county roads and bridges, noxious weeds, sheriff patrol as county residents that live outside of city limits. In many cases, those tax dollars are used exclusively outside city limits. Changing this sales tax structure would put further pressure on city residents to pay the cost of county service with no direct benefit.

We would urge this Committee to look at alternatives to this bill, and not report this bill out of Committee.