

Allen J. Dinkel
City Manager
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March 10, 2023

To: Chairman Smith and Members of the House Committee on Taxation

Re: Testimony in Opposition to SB 248

Chairman Smith and Committee Members, thank-you for the opportunity to provide written testimony in opposition to SB 248 on behalf of the City of Junction City. I understand that this bill as presently written would eliminate sales tax on Food in 2024, this includes both the State Sales Tax as well as the local sales tax. The adoption of this bill in its current state would be devastating to the City of Junction City.

In 2022, the City of Junction City received \$13,096,538.70 in local sales tax revenue. Using the estimate that food sales taxes are about 14% of this total, the elimination of the local sales tax on food would be a loss of over \$1.8 million dollars per year based on the 2022 revenue. To offset this revenue property taxes would have to be increased by about 9.46 mills. This would be an increase of 19.6%.

The City of Junction City has a 1% General sales tax and in 2011 and again in 2021 a Special Sales Tax of 1% was approved to be used for debt service in the General Fund. This sales tax, as with all local sales taxes, are approved by the voters of the City. In 2022, the income from that special sales tax was \$4,372,144.63 in 2022. A drop of 14% would be \$612,100. This is included in the total above. Other cities and counties have had special sales tax initiatives approved by voters for streets, parks, fire stations, swimming pools, etc. Cities would be forced to transfer dollars from their General Fund to pay debts they are obligated to pay.

If the City of Junction City loses the revenue mentioned above, property taxes would have to increase, or the City would have to make cuts in Public Safety, Streets, and Parks funds to offset this loss.

We would also oppose any efforts for a “promise” for the State to provide financing to local units of government to replace lost sales tax revenues. The history of doing this has not been good.

On behalf of the City of Junctions City, I request that the local sales tax from the sale of food not be affected.

Sincerely,

A handwritten signature in black ink that reads 'Allen J. Dinkel'. The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Allen Dinkel
City Manager