



To: House Tax Committee
From: Jeff Longwell, Mayor, City of Wichita
Date: March 1, 2018
Subject: Testimony in Support of HB2756

On behalf of the Wichita City Council, I submit this testimony in support of HB 2756.

Sales tax revenues fund vital infrastructure improvements and other services, such as public safety, that are important to City of Wichita residents. Sales tax is an important revenue source for this municipality and many others across the state, and local sales tax is significantly threatened by remote sales.

For background, the City of Wichita does not levy a sales tax (one of only two first class cities without a dedicated sales tax); however, the City does rely on a sizable portion of the Sedgwick County one-cent sales tax to keep property taxes low, and help finance needed infrastructure improvements. In 1986, voters in Sedgwick County approved a referendum authorizing a one-cent sales tax. The Wichita City Council pledged to use one-half of the proceeds to reduce property taxes and the other half to fund infrastructure.

The mill levy in Wichita dropped 8.7 mills in 1986, and close to \$650 million has been invested into infrastructure. More than 13 miles of a new urban-standard crosstown freeway (US 400) has been constructed. Rebuilding the Kellogg freeway is also strategically important to the Kansas Department of Transportation (KDOT). Two significant projects on the city's east and west side are currently in progress in partnership between KDOT, the City of Wichita and Sedgwick County. Additionally, City of Wichita sales tax dollars have helped fund the K-96 bypass, the 13th Street Floodway Flyover Bridge, and numerous other road and bridge improvements.

In recent years, the Wichita economy has been expanding, with additional job growth and increasing population. However, sales tax growth has slowed below traditional levels, and revenues actually decreased in 2017. This trend is not unique to Wichita, and is undoubtedly reflective of the impact of remote sales. Every trend projection indicates remote sales will continue to rise significantly. This is an ominous sign for communities financing local government services. Estimating the loss due to non-taxed remote sales is challenging, but it is believed to be at least \$1.4 million annually for the City of Wichita, and perhaps as much as \$2 million each year. This gap is expected to widen each year.

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The City of Wichita is committed to maintaining a low and stable mill levy rate; the rate has not materially changed for 24 years, and is approximately 10 mills lower today than it was before the Sedgwick County sales tax was approved in 1986. The City is also committed to providing a dependable transportation network and infrastructure – not just for the 390,000 Wichita residents, but also for the more than 1 million Kansans that rely on Wichita as a regional medical, employment and retailing center. Perhaps ironically, that very infrastructure is what makes the delivery of remote transactions possible. However, the continuing erosion of sales tax revenues due to constant growth in the amount of untaxed remote sales will almost certainly affect and jeopardize the City’s ability to achieve these objectives. If not addressed, untaxed remote sales will reduce local funding for things that are important to Wichita and Kansas residents, including infrastructure investments and operating budget areas such as public safety and quality of life improvements.

In conclusion, we strongly support what this bill intends to achieve as a step in the right direction, and we stand ready and willing to work with state legislators on needed changes. Thank you.

Very Best Regards,

Mayor Jeff Longwell
City of Wichita

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