

March 17, 2022

Testimony in Opposition to House Bill 2738  
Senate Assessment & Taxation Committee

Chairman Smith and Members of the House Taxation Committee:

Our coalition of Northeast Johnson County cities, comprised of the cities of Merriam, Mission, Prairie Village, and Westwood Hills, appreciate the opportunity to provide testimony in opposition to this legislation, which would discontinue the apportionment of countywide retailers' sales tax imposed for general purposes between the county and cities. This bill has the potential to significantly reduce cities' annual general fund revenue.

The effects of HB 2738 would be widespread across the state, with the potential to negatively impact nearly 500 cities across Kansas, including our cities, at the expense of several millions of dollars. For example, for one of our cities, the passage of this legislation would mean a loss of nearly \$3 million in annual revenue from the countywide sales tax, or roughly 14% of the city's annual general fund revenues. Another city would lose up to 30 percent of their general fund.

Granted, while the bill does not prohibit counties from redistributing a portion of these funds back to cities, there is no requirement or guarantee that counties do so, nor any sort of guidelines or process for how counties could or should redistribute funds. The bill seems to insinuate cities and counties will internally determine how to distribute county sales taxes levied upon the citizens of one cit. In Johnson County, our county government and cities value little else above local control. Currently, we can only hope the Legislature recognizes greater local control like this, not less. We no doubt could work out a distribution formula between cities and counties. However, our concern is the need to do this, as well as the potential for transition and change particularly during times of economic stress or change, such as we have experienced during the COVID-19 pandemic. The collection and distribution of tax revenue works best, we have learned in Kansas, when it is stable, predictable, and not subject to the politics of the moment. Therefore, because of the uncertainty, volatility, and dramatic projected losses of revenues for our cities, we oppose House Bill 2738.

Thank you for your consideration and I welcome any questions you may have on this matter.

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