

Office of Policy and Research
109 SW 9th Street
PO Box 3506
Topeka KS 66601-3506
Mark Burghart, Secretary



Phone: 785-296-3081
Fax: 785-296-7928
www.ksrevenue.org
Laura Kelly, Governor

To: Sen. Caryn Tyson, Chair
2021 Special Committee on Taxation

From: Amy Kramer
Kansas Department of Revenue

Re: Local sales tax

Date: November 30, 2021

City sales tax

Kansas law allows cities to impose a citywide sales tax at a rate not to exceed 3.0%, with up to 2.0% designated for general purposes and 1.0% designated for special purposes. The rates must be in 0.05% increments. As of October 2021, 306 cities imposed a citywide sales tax. The lowest city rate in the state is 0.25% in three cities. Five cities impose a rate at the statutory cap of 3.0%. The remaining 319 cities do not have a citywide sales tax.

County sales tax

Kansas law allows counties to impose a countywide sales tax at a rate not to exceed 1.0% with the rates in 0.25% increments. County sales taxes are distributed between the incorporated cities in the county and the county by a statutory formula. Half of the revenue is distributed among the county and cities based on the total tangible property tax levies in each jurisdiction for the previous year, and half of the revenue is distributed among the county and cities based on the population in each jurisdiction as certified by the Division of the Budget on July 1 of each year.

$$((\text{local population}/\text{total population}) + (\text{local property tax}/\text{total property tax}))/2$$

In 1992, county sales tax authority was expanded to allow counties to conduct an election for a special sales tax dedicated to the provision of health care services in the county. This dedicated sales tax may be at a rate up to 1.0%, imposed in 0.25% increments. As of October 2021, 30 counties have levied a countywide sales tax dedicated to health care.

Counties first gained authorization to utilize sales tax for dedicated projects in 1987 with the approval of two counties to conduct an election for a sales tax to construct or remodel a courthouse, jail, law enforcement center facility, or other county administrative facility. Since that time, 50 counties have been granted authorization to conduct an election for one or more dedicated sales taxes. As of October 2021, 25 statutory authorizations are currently being used by counties for active dedicated projects.

Johnson County is the only county with a countywide sales tax that is not either wholly distributed via the apportionment formula or wholly dedicated to a specific project. Of Johnson

County's six countywide sales taxes, one is distributed via the apportionment formula, two are distributed solely to the county for dedicated purposes and three are for dedicated purposes with half of the funds distributed directly to the county and half distributed via the apportionment formula.

As of October 2021, 93 counties imposed a countywide sales tax. Of these counties, 81 counties have a county sales tax distributed via the apportionment formula and 49 have a county sales tax distributed solely to the county for a dedicated purpose. Of the remaining 12 counties, 4 have levied a countywide sales tax in the past which has later been terminated and 8 counties have never levied a countywide sales tax. The lowest county rate in the state is 0.5% in five counties and the highest county rate in the state is 2.25% in one county. An additional 11 counties have a countywide sales tax rate of 2.0%.

Special districts and combined sales tax rates

Kansas law allows cities and counties to impose an additional sales tax in certain economic development areas – 1.0% in Transportation Development Districts (TDD) and 2.0% in Community Improvement Districts (CID). As of October 2021, there are 34 active TDDs and 182 active CIDs.

Within the special districts as of October 2021, the highest combined sales tax rate is 11.6% in the Ottawa Holiday Inn Express 2 CID. In addition, there are five CIDs with a combined rate of 11.5%. There are currently 28 CIDs with a combined rate of 11.0% or higher.

Excluding the special districts, as of October 2021, the highest combined state and local sales tax rate is in the city of Luray at 10.5%. In addition, three cities, Baxter Springs, Pomona, and Sedan, have a combined sales tax at 10.0%.

2021 SB 87

2021 SB 87 as amended by Senate Committee would terminate a 1.0% Atchison County sales tax no later than June 30, 2023. This tax was approved by Atchison County voters on August 3, 1993, with an effective date of October 1, 1993, for the purpose of joint law enforcement communications and solid waste disposal.

The bill would also give counties the option on future sales tax initiatives to opt out of distribution of the tax via the apportionment formula. The bill would require counties to include in the ballot question a statement on whether the tax would be subject to the formula.