

Approved May 7, 1992

Minutes of the House Committee on Taxation. The meeting was called to order by Joan Wagnon, Chairperson, at 9:10 a.m. on Thursday, March 26, 1992 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

Tom Severn & Chris Courtwright, Legislative Research; Bill Edds and Don Hayward, Revisors; Linda Frey, Committee Secretary; Douglas E. Johnston, Committee Assistant.

Conferees appearing before the committee:

The Chair opened the public hearing on SB 723, local option sales taxes.

A memorandum from Legislative Research on Kansas local sales tax special provisions was distributed to the committee (Attachment 1).

Representative Cindy Empson testified in favor of SB 723.

Representative Jim D. Garner testified in regard to SB 723 (Attachment 2).

In response to a question from Rep. Rex Crowell, Rep. Garner said he favored a county-wide plan over the current provisions of SB 723.

Senator Bill Brady testified in favor of the alternative plan proposed in Rep. Garner's testimony. He said the issue of a county-wide local sales tax option came up after SB 723 was introduced.

Rep. Bob Vancrum asked if both proposals would be required to be on the same election ballot. The Senator said it would not be required. In response to another question from Rep. Vancrum, Senator Brady said the city of Montgomery has used local sales tax authority in the past, but is not doing so now.

Rep. Empson introduced Chuck Goad, Vice-Chairman of the Economic Development Task Force of the Independence Chamber of Commerce who testified in support of SB 723 (Attachment 3).

In response to a question from Rep. Betty Jo Charlton regarding Arco Pipeline's loss of 99 jobs in Independence, Goad said the company favors SB 723 and has been very active in economic development plans. He said Arco had to move 50 jobs to its headquarters in Texas and had to eliminate the others because of

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the recession. Arco has indicated it will stay in Independence and they will get sales tax money, he said.

Responding to a question from Rep. Vancrum, Goad said meetings with prospective businesses considering locating in Independence have revealed a greater concern with infrastructure than the tax system in Kansas.

In response to a question from Rep. Bob Krehbiel, Goad said the oil and gas industry is important to southeast Kansas, but has fallen on hard times in recent years. Increasing production would help, he said.

The hearing on SB 723 was closed and the hearing on SB 683 was opened.

Ernie Mosher, representing the League of Kansas Municipalities, testified in favor of SB 683 (Attachment 4).

The public hearing on SB 683 was closed.

Nancy Hempen, Douglas County Treasurer, distributed information previously requested by the committee regarding the fiscal impact on counties of delayed personal property tax payments (Attachment 5).

The committee discussed HB 2785, Homestead Refund and HB 3024, property tax deferral program for the elderly.

The Chair brought up HB 3080 for discussion and action.

Rep. Charlton spoke in opposition to allowing county treasurers the option to publish or not publish the delinquent tax list.

Rep. Gwen Welshimer spoke in favor of mandating delinquent tax list publishing at least once.

Rep. Vancrum said he favors mandating the publishing of delinquent taxpayer lists, but that names should be removed from the list once delinquent taxes are paid.

Rep. Steve Wiard and Rep. Gene Shore concurred with the remarks of Rep. Vancrum.

Rep. Marvin Smith made a motion to report the bill favorably for action. Rep. Shore seconded the motion.

Rep. Bruce Larkin made a substitute motion to require publishing of the list at least twice over a 31 day period and that the

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list shall be updated after first publication. Rep. Vancrum seconded the motion.

Rep. Crowell made a motion to amend the substitute motion of Rep. Larkin to require publishing of the list 3 times in a 31 day period.

The motion of Rep. Crowell failed with 7 for and 11 against.

The substitute motion of Rep. Larkin carried.

Rep. Aldie Ensminger made a motion requiring newspapers charge their lowest advertising rate for publication of the delinquent taxpayer list. Rep. Charlton seconded the motion.

Rep. Larkin said there is no way to tell what the lowest rate is.

The motion of Rep. Ensminger failed.

Rep. Shore moved to report the bill favorably for action. Rep. Wiard seconded the motion.

Updated tax abatement model information from the Institute for Public Policy and Business Research at the University of Kansas was distributed to the committee (Attachment 6).

The meeting adjourned at 10:30 a.m. The next meeting will be March 27.

GUEST LIST

COMMITTEE: House Delegation

DATE: 3/26/92

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Marvin D Emery	6421 Shaffer Rd. Topeka Kan	
Dave Cunningham	Topeka	PVD
Bob Corkins	"	KCCI
Alan Steppat	Topeka	Pete McGill & Associates
HAROLD PITTS	TOPEKA	AARP-CCTF
Art Braoan	KC	KS. Lumber dealer BSA
Mark Tallman	Topeka	KASB
MARK A. BURGHART	TOPEKA	REVENUE
Tom Emery	Topeka	
Sen. Bill Bedy	Lawrence	
Gene Cochran	Lawrence	City of Lawrence
Cal Dauter	Topeka	KDDC
John Kovanic	Crawford County	Treasurer
Judy Smith-Crawford	Topeka	Sen Co Treasurers Off.
Jacque Oates	Topeka	SDF
Don Helt	Independence	IAP
Lindy Emery	Independence	Leg.
Ann Kelly	Independence	I Adel. Action Partnership
Vince Spraker	INDEPENDENCE, MO	Ancor Pipe Line Co. v.p.
William Bedy	" "	Vista of Gorman
M. J. SELLER	" "	CITY COMMISSIONER
Paul Sasse	" "	City
Nancy Hempen	Lawrence	Ks Co-Treas Assn.
BEV BRADLEY	TOPEKA	KS Assoc of Counties



# MEMORANDUM

## Kansas Legislative Research Department

Room 545-N -- Statehouse  
Topeka, Kansas 66612-1586  
(913) 296-3181

October 10, 1991

To: Special Committee on Assessment and Taxation

Re: Kansas Local Sales Tax Special Provisions

Local sales taxes, which were first authorized by the Legislature in 1970, may be levied by cities and counties at the rate of 0.5 percent or 1.0 percent, subject to several exceptions. Elections are normally required prior to the imposition of or increase in the local sales tax.

Revenue from a countywide sales tax is apportioned among the county and cities, 50 percent in proportion to total, unit-wide property tax levies and 50 percent in proportion to urban and nonurban population. This distribution formula also is subject to several exceptions.

With the enactment of H.B. 2041 by the 1989 Legislature, the state and local sales tax bases are now in substantial conformity, with the exception of the sales taxes on residential utility services. Such services are exempt from the state sales tax but are not exempt from local taxes. Other areas of nonconformity regarding sales of farm machinery and business machinery and equipment have been eliminated.

As of October 1, 1991, 128 cities and 61 counties were imposing local sales taxes. Of the 128 cities, 41 imposed the tax at the 0.5 percent rate, and 87 imposed the tax at the 1.0 percent rate. Of the 61 counties, five imposed the 0.5 percent rate, 52 imposed the 1.0 percent rate, Jackson County imposed a 2.0 percent rate, Johnson County imposed a 0.6 percent rate, and Ford and Finney counties imposed a 0.75 percent rate.

### Special Rate Provisions

Pursuant to the enactment of 1989 H.B. 2023, Jackson County was authorized to increase its sales tax from 1 percent to 2 percent, with the county's share of the additional 1 percent tax earmarked solely for the Banner Creek Reservoir Project. The additional 1 percent tax was implemented on July 1, 1989 and will sunset on July 1, 1994.

Wyandotte County is authorized to levy an additional 0.5 percent tax (for a total rate of 1.5 percent) if the additional amount is earmarked solely for financing a courthouse, jail, or law enforcement facility. The county has not used this additional authority, however, and the rate remains at 1.0 percent.

All counties were authorized to levy a 1/10 of 1 percent sales tax for stormwater improvements if the tax was imposed prior to the end of 1990. The stormwater management sales

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tax does not require an election, but is instead subject to a protest petition. Proponents of the tax, which was authorized by 1988 H.B. 2271, said that the only counties that would likely attempt to impose the tax would be Johnson, Wyandotte, and Leavenworth, since there had been efforts underway to develop a comprehensive flood control plan in the Kansas City metropolitan area. The Johnson County stormwater management sales tax became effective July 1, 1990. Leavenworth County approved a resolution on October 15, 1990 seeking to impose the tax on January 1, 1991, but a protest petition was successful in blocking implementation absent an election. The Attorney General informally opined that the tax still could have been implemented during 1991 (assuming voter approval in the election), since the resolution had passed in 1990, but the county commission on January 8 rescinded its attempt to impose the tax.

H.B. 2275, passed in 1991, enacted the Kansas and Missouri Metropolitan Culture District Compact. Each participating county must impose a sales tax at a rate not to exceed 0.25 percent. Johnson County (and Jackson County, Missouri) must participate for the Compact to be effective; other contiguous Kansas (and Missouri) counties also are eligible. An election must be held in each county to approve the tax. In addition, both legislatures must enact laws to effectuate the Compact.

Pursuant to 1990 S.B. 602 and 1991 S.B. 150, any Class B city (redefined as a city with a population of more than 1,000 but less than 2,000 located in a county with a population of more than 150,000 but less than 175,000) may impose an additional 0.5 percent or 1.0 percent sales tax (above the existing 1.0 percent authority) if the revenue is earmarked for flood control projects. An election to impose the additional tax would have to be held in 1990, 1991, or 1992, and the tax would expire upon the payment of all costs incurred in the financing of the flood control projects. Proponents said that this provision was designed to allow only the City of Rossville the option of imposing the new tax while leaving the local sales tax statutes uniform in their application to cities. Rossville currently imposes a 1.0 percent sales tax.

### **Special Distribution Provisions**

K.S.A. 12-192 provides exceptions to the normal countywide apportionment formula for Riley, Geary, and Johnson counties. For that half of the tax distributed between the cities and county based on the share of population in unincorporated areas of the county and in each city, persons residing at Fort Riley are specifically excluded from the determination of Junction City's population. For Geary County, both the unincorporated county population and the city populations are adjusted to subtract persons residing on military reservations. An optional apportionment formula is provided for Johnson County in the event the county imposes a 1.0 percent sales tax.

Jefferson, Montgomery, Wyandotte, Riley, and Lyon counties also may impose a countywide tax with the entire amount earmarked solely for courthouse, jail, or law enforcement facility construction. Taxes earmarked for this purpose in these counties would expire upon the payment of all costs incurred in the financing of such facilities. Montgomery County's 1.0 percent tax was imposed for this purpose on January 1, 1988, and the tax sunset on July 30, 1990. Jefferson County, which has had a 1.0 percent tax in effect since 1983, has not attempted to change the distribution of its tax by reimposing it under this provision. Wyandotte County does not earmark any part of its current 1.0 percent sales tax for this purpose, nor has it attempted to use its additional 0.5 percent authority. Riley and Lyon counties were authorized to utilize this distribution formula pursuant to 1990 S.B. 602 and 1990 H.B. 3115, respectively. Riley County currently imposes a rate of 0.5 percent, and Lyon County has no countywide sales tax.

Although not authorized to exceed the normal 1.0 percent rate, Ford and Finney counties may impose sales taxes of 0.25 percent, pursuant to 1990 H.B. 2947, with the revenues pledged exclusively for system enhancement highway projects. Elections are required to be called and held as provided by the General Bond Law prior to imposition, and the taxes would expire upon payment of all costs incurred in the financing of the highway projects. Since Ford and Finney counties each previously imposed a sales tax of 0.5 percent, the highway project sales tax allows these counties to impose a unique combined rate of 0.75 percent as an alternative to the 1.0 percent rate. Both counties implemented the additional quarter percent rate on July 1, 1991.

Should the Kansas and Missouri Metropolitan Culture District Compact become effective, all moneys collected would be credited to the Metropolitan Culture District Retailers' Sales Tax Fund. The Metropolitan Culture Commission would have authority to allow revenues pooled from both states to be used for "cultural activities."

### **Local Sales Tax Revenue Bonds**

Legislation enacted in 1987 and 1988 authorized cities and counties imposing local sales taxes to issue revenue bonds backed by the sales tax (or by the sales tax in combination with other revenue sources) to provide for public facilities and improvements which could otherwise be funded through the issuance of general obligation bonds.

The bonds were normally prohibited from being used for any facilities or improvements to be used for commercial or retail purposes, but an exception to the prohibition was provided for bonds issued for the payment of the cost of constructing or improving convention centers, exposition halls, and public auditoriums.

H.B. 2188, passed in 1991, allows cities and counties to issue general obligation bonds to pay for public facilities and improvements and to pledge local sales tax revenue to amortize the debt. The bonds are within a city's or county's debt limit, except for the City of Wichita.

S.B. 416, also passed in 1991, permits cities which have created municipal improvement districts to issue bonds backed by a pledge of all or part of revenue from a local option sales tax. Also authorized are bonds backed by a combination of local sales tax revenue and a property tax levy or income from revenue-producing improvements.



## LOCAL SALES TAXES - COUNTY

<u>County (61)</u>	<u>Rate</u>	<u>Effective Date</u>
Allen	0.5%	November 1, 1982
Anderson	1.0	January 1, 1983
Barber	1.0	February 1, 1983
Barton	1.0	November 1, 1982
Brown	1.0	November 1, 1982
Chautauqua	1.0	February 1, 1983
Cherokee	1.0	November 1, 1982
Cheyenne	1.0	July 1, 1986
Clay	0.5	November 1, 1982
Crawford	1.0	November 1, 1983
Decatur	1.0	November 1, 1984
Dickinson	1.0	July 1, 1983
Edwards	1.0	November 1, 1983
Elk	1.0	November 1, 1982
Finney <sup>7</sup>	0.75	July 1, 1991
Ford <sup>7</sup>	0.75	July 1, 1991
Franklin	1.0	July 1, 1983
Geary <sup>1</sup>	1.0	October 1, 1978
Gove	1.0	November 1, 1984
Gray	1.0	February 1, 1983
Greeley	1.0	November 1, 1982
Harvey	1.0	July 1, 1986
Haskell	0.5	January 1, 1983
Jackson <sup>2</sup>	2.0	July 1, 1989
Jefferson	1.0	May 1, 1983
Jewell	1.0	February 1, 1983
Johnson <sup>3,4</sup>	0.6	July 1, 1990
Kiowa	1.0	November 1, 1982
Labette	1.0	September 1, 1981
Lincoln	1.0	February 1, 1983
Logan	1.0	November 1, 1982
Marion	1.0	July 1, 1987
McPherson	1.0	July 1, 1982
Meade	1.0	November 1, 1984
Miami	1.0	July 1, 1983
Mitchell	1.0	November 1, 1982
Morris	1.0	November 1, 1982

<u>County (61)</u>	<u>Rate</u>	<u>Effective Date</u>
Nemaha	1.0%	November 1, 1982
Osage	1.0	November 1, 1982
Osborne	0.5	January 1, 1983
Ottawa	1.0	February 1, 1983
Pawnee	1.0	July 1, 1983
Pratt	1.0	July 1, 1982
Rawlins	1.0	February 1, 1983
Reno <sup>5</sup>	1.0	July 1, 1986
Republic	1.0	November 1, 1982
Rice	1.0	November 1, 1982
Riley	0.5	February 1, 1983
Russell	1.0	April 1, 1988
Saline	1.0	November 1, 1982
Scott	1.0	May 1, 1982
Sedgwick	1.0	October 1, 1985
Seward <sup>3</sup>	1.0	November 1, 1980
Sherman	1.0	February 1, 1983
Stafford	1.0	November 1, 1984
Stanton	1.0	November 1, 1984
Thomas	1.0	November 1, 1982
Wabaunsee	1.0	February 1, 1983
Washington <sup>6</sup>	1.0	February 1, 1983
Wichita	1.0	November 1, 1982
Wyandotte <sup>3</sup>	1.0	January 1, 1984

- 1) Rate of 0.5 percent was effective November 1, 1974.
- 2) Rate of 1.0 percent was effective November 1, 1982.
- 3) Rate of 0.5 percent was effective October 1, 1975.
- 4) Combined rate of 0.6 percent includes 0.5 percent county tax plus 0.1 percent for stormwater management.
- 5) Rate of 0.5 percent was effective November 1, 1977.
- 6) Scheduled to expire February 1, 1993.
- 7) Combined rate of 0.75 percent includes 0.5 percent county tax plus 0.25 percent which became effective July 1, 1991. Finney County had been at 0.5 percent since November 1, 1981, and Ford County had been at 0.5 percent since January 1, 1983.

**Note:** Currently, five counties impose the tax at the rate of 0.5 percent, one county imposes the tax at a rate of 0.6 percent, two counties impose the tax at the rate of 0.75 percent, 52 counties impose the tax at the rate of 1.0 percent, and one county imposes the tax at the rate of 2.0 percent. County tax may be in addition to a city sales tax. For information on city sales tax rates and combined local rates, see "Local Sales Taxes -- City."

## LOCAL SALES TAXES – CITY

<u>City (128) (County Where Located)</u>	<u>Rate</u>	<u>Effective Date</u>
Abilene <sup>1</sup> (Dickinson)	0.5%	May 1, 1983
Americus (Lyon)	0.5	April 1, 1987
Anthony (Harper)	0.5	November 1, 1984
Arkansas City <sup>9</sup> (Cowley)	1.0	April 1, 1985
Argonia (Sumner)	1.0	January 1, 1991
Arma <sup>1</sup> (Crawford)	0.5	November 1, 1982
Atchison <sup>9</sup> (Atchison)	1.0	August 1, 1983
Auburn (Shawnee)	1.0	July 1, 1984
Augusta (Butler)	0.5	October 1, 1991
Baldwin <sup>24</sup> (Douglas)	1.0	July 1, 1991
Basehor (Leavenworth)	0.5	July 1, 1982
Baxter Springs <sup>1,14</sup> (Cherokee)	1.0	July 1, 1985
Belle Plaine (Sumner)	1.0	October 1, 1989
Bonner Springs <sup>1,18</sup> (Wyandotte)	1.0	January 1, 1986
Caldwell <sup>2</sup> (Sumner)	1.0	November 1, 1982
Caney <sup>2</sup> (Montgomery)	1.0	November 1, 1982
Chanute <sup>21</sup> (Neosho)	1.0	November 1, 1987
Cherryvale <sup>3</sup> (Montgomery)	1.0	November 1, 1982
Chetopa <sup>1</sup> (Labette)	1.0	July 1, 1985
Clay Center <sup>1,2</sup> (Clay)	1.0	November 1, 1984
Coffeyville <sup>2</sup> (Montgomery)	1.0	May 1, 1984
Columbus <sup>1,14</sup> (Cherokee)	1.0	April 1, 1987
Concordia <sup>5</sup> (Cloud)	1.0	February 1, 1983
Conway Springs (Sumner)	1.0	October 1, 1989
Cottonwood Falls (Chase)	1.0	January 1, 1991
Delphos <sup>1</sup> (Ottawa)	1.0	November 1, 1984
DeSoto <sup>1,14</sup> (Johnson)	1.0	January 1, 1991
Dighton (Lane)	1.0	July 1, 1983
Dodge City <sup>1</sup> (Ford)	0.5	December 1, 1981
Easton (Leavenworth)	1.0	July 1, 1985
Edgerton <sup>1,14</sup> (Johnson)	1.0	July 1, 1985
Edna <sup>1</sup> (Labette)	1.0	January 1, 1989
Edwardsville <sup>1</sup> (Wyandotte)	1.0	January 1, 1986
Effingham (Atchison)	1.0	November 1, 1983
El Dorado (Butler)	1.0	October 1, 1989
Elkhart (Morton)	0.5	November 1, 1981
Ellis (Ellis)	1.0	November 1, 1983
Ellsworth (Ellsworth)	1.0	July 1, 1983
Elwood (Doniphan)	1.0	November 1, 1984
Emporia (Lyon)	0.5	September 1, 1984
Erie <sup>7</sup> (Neosho)	1.0	January 1, 1988
Eudora (Douglas)	0.5	November 1, 1982
Eureka (Greenwood)	1.0	January 1, 1991

<u>City (128) (County Where Located)</u>	<u>Rate</u>	<u>Effective Date</u>
Fairway <sup>1,20</sup> (Johnson)	1.0	July 1, 1986
Fort Scott (Bourbon)	1.0	January 1, 1984
Fredonia (Wilson)	1.0	January 1, 1986
Frontenac <sup>1</sup> (Crawford)	0.5	November 1, 1982
Galena <sup>1,17</sup> (Cherokee)	1.0	July 1, 1984
Garden City <sup>1</sup> (Finney)	0.5	February 1, 1983
Gardner <sup>1,7</sup> (Johnson)	1.0	January 1, 1989
Gas <sup>1</sup> (Allen)	1.0	January 1, 1991
Girard <sup>1</sup> (Crawford)	0.5	November 1, 1982
Glasco (Cloud)	1.0	July 1, 1983
Hays (Ellis)	0.5	November 1, 1982
Herington <sup>1</sup> (Dickinson)	0.5	July 1, 1980
Hiawatha <sup>1</sup> (Brown)	0.5	November 1, 1980
Hill City (Graham)	1.0	July 1, 1985
Hillsboro <sup>1</sup> (Marion)	0.5	May 1, 1985
Horton <sup>1,2</sup> (Brown)	1.0	July 1, 1987
Hugoton (Stevens)	0.5	November 1, 1980
Humboldt <sup>1</sup> (Allen)	0.5	January 1, 1982
Hutchinson <sup>1</sup> (Reno)	0.5	July 1, 1986
Independence <sup>3</sup> (Montgomery)	1.0	April 1, 1986
Iola <sup>1,23</sup> (Allen)	1.0	January 1, 1990
Junction City <sup>1</sup> (Geary)	1.0	November 1, 1982
Kanopolis (Ellsworth)	1.0	July 1, 1985
Kansas City <sup>1,2</sup> (Wyandotte)	1.0	January 1, 1984
LaCygne (Linn)	1.0	October 1, 1988
Lakin (Kearny)	1.0	July 1, 1983
Lansing <sup>14</sup> (Leavenworth)	1.0	January 1, 1989
Lawrence <sup>4</sup> (Douglas)	1.0	October 1, 1990
Leavenworth <sup>19</sup> (Leavenworth)	1.0	March 1, 1985
Leawood <sup>1,6</sup> (Johnson)	1.0	January 1, 1984
Lenexa <sup>1,10</sup> (Johnson)	1.0	February 1, 1984
Lindsborg <sup>1</sup> (McPherson)	0.5	July 1, 1991
Longford <sup>1</sup> (Clay)	1.0	January 1, 1989
Louisburg <sup>1</sup> (Miami)	0.5	July 1, 1982
Manhattan <sup>1,4</sup> (Riley & Pottawatomie)	1.0	November 1, 1982
Mayfield (Sumner)	0.5	November 1, 1982
Medicine Lodge <sup>1</sup> (Barber)	0.5	July 1, 1991
Merriam <sup>1,11</sup> (Johnson)	1.0	February 1, 1984
Miltonvale (Cloud)	1.0	July 1, 1987
Mission <sup>1,8</sup> (Johnson)	1.0	July 1, 1985
Moran <sup>1</sup> (Allen)	0.5	July 1, 1984
Neodesha <sup>2</sup> (Wilson)	1.0	February 1, 1983

City (128) (County Where Located)	Rate	Effective Date
Ogden <sup>1,2</sup> (Riley)	1.0	November 1, 1982
Olathe <sup>1,12</sup> (Johnson)	1.0	February 1, 1984
Onaga (Pottawatomie)	1.0	November 1, 1982
Osawatomie <sup>1</sup> (Miami)	0.5	July 1, 1981
Ottawa <sup>1</sup> (Franklin)	0.5	February 1, 1979
Overland Park <sup>1,13</sup> (Johnson)	1.0	February 1, 1984
Oxford (Sumner)	1.0	November 1, 1984
Paola <sup>1</sup> (Miami)	0.5	July 1, 1981
Perry <sup>1</sup> (Jefferson)	0.5	July 1, 1981
Pittsburg <sup>1</sup> (Crawford)	0.5	February 1, 1981
Plainville (Rooks)	0.5	February 1, 1985
Pomona <sup>1</sup> (Franklin)	0.5	July 1, 1981
Prairie Village <sup>1,9</sup> (Johnson)	1.0	February 1, 1984
Roeland Park <sup>1,14</sup> (Johnson)	1.0	March 1, 1984
Rossville (Shawnee)	1.0	October 1, 1986
St. Marys <sup>7</sup> (Pottawatomie)	1.0	November 1, 1984
Sabetha <sup>1</sup> (Nemaha)	0.5	July 1, 1991
Salina <sup>1</sup> (Saline)	0.5	January 1, 1991
Satanta <sup>1</sup> (Haskell)	0.5	January 1, 1987
Scammon <sup>1</sup> (Cherokee)	1.0	April 1, 1988
Sedan <sup>1</sup> (Chautauqua)	0.5	November 1, 1981
Shawnee <sup>1,2</sup> (Johnson)	1.0	July 1, 1985
Spivey (Kingman)	0.5	January 1, 1979
Spring Hill <sup>1,14</sup> (Miami & Johnson)	1.0	February 1, 1984
Strong City (Chase)	1.0	January 1, 1990
Sublette <sup>1</sup> (Haskell)	0.5	January 1, 1983
Syracuse (Hamilton)	1.0	June 1, 1984
Tonganoxie <sup>22</sup> (Leavenworth)	1.0	July 1, 1989
Topeka <sup>4</sup> (Shawnee)	1.0	November 1, 1982
Toronto (Woodson)	0.5	November 1, 1982
Ulysses (Grant)	1.0	November 1, 1983
WaKeeney (Trego)	1.0	February 1, 1983
Wakefield <sup>1,2</sup> (Clay)	1.0	November 1, 1982
Wamego <sup>7</sup> (Pottawatomie)	1.0	September 1, 1983
Weir <sup>1</sup> (Cherokee)	1.0	November 1, 1984
Wellington <sup>8</sup> (Sumner)	1.0	July 1, 1983
Westmoreland (Pottawatomie)	0.5	February 1, 1983
Westwood <sup>1,15</sup> (Johnson)	1.0	February 1, 1984
Westwood Hills <sup>1,16</sup> (Johnson)	1.0	February 1, 1984
Williamsburg <sup>1</sup> (Franklin)	0.5	July 1, 1982
Wilson (Ellsworth)	1.0	September 1, 1983
Winfield <sup>18</sup> (Cowley)	1.0	November 1, 1984
Yates Center <sup>7</sup> (Woodson)	1.0	January 1, 1986

**Footnotes:**

- 1 City sales tax is in addition to the county sales tax; see "Local Sales Taxes -- County."
- 2 Rate of 0.5% had been effective November 1, 1980.
- 3 Rate of 0.5% had been effective February 1, 1981.
- 4 Rate of 0.5% had been effective July 1, 1971.
- 5 Rate of 0.5% had been effective September 1, 1981.
- 6 Rate of 0.5% had been effective January 1, 1979.
- 7 Rate of 0.5% had been effective November 1, 1982.
- 8 Rate of 0.5% had been effective February 1, 1979.
- 9 Rate of 0.5% had been effective October 1, 1978.
- 10 Rate of 0.5% had been effective February 1, 1980.
- 11 Rate of 0.5% had been effective July 1, 1979.
- 12 Rate of 0.5% had been effective June 1, 1980.
- 13 Rate of 0.5% had been effective January 1, 1978.
- 14 Rate of 0.5% had been effective July 1, 1982.
- 15 Rate of 0.5% had been effective July 1, 1981.
- 16 Rate of 0.5% had been effective July 1, 1980.
- 17 Rate of 0.5% had been effective February 1, 1977.
- 18 Rate of 0.5% had been effective October 1, 1981.
- 19 Rate of 0.5% had been effective July 1, 1977.
- 20 Rate of 0.5% had been effective September 1, 1983.
- 21 Rate of 0.5% had been effective October 1, 1979.
- 22 Rate of 0.5% had been effective November 1, 1984.
- 23 Rate of 0.5% had been effective November 1, 1981.
- 24 Rate of 0.5% had been effective January 1, 1981.

**Exhibit:** Forty-one cities impose the tax at the rate of 0.5%, and 87 cities impose the tax at the rate of 1.0%. Combined city and county sales tax rates exceed 1.0% in the following cities and Jackson County:

**1.25% Rate (2 cities)**

- Garden City (0.5) in Finney County (0.75)
- Dodge City (0.5) in Ford County (0.75)

**1.5% Rate (28 cities)**

- Gas (1.0) and Iola (1.0) in Allen County (0.5)
- Medicine Lodge (0.5) in Barber County (1.0)
- Hiawatha (0.5) in Brown County (1.0)
- Sedan (0.5) in Chautauqua County (1.0)
- Clay Center (1.0), Longford (1.0), and Wakefield (1.0) in Clay County (0.5)
- Arma (0.5), Frontenac (0.5), Girard (0.5), and Pittsburg (0.5) in Crawford County (1.0)
- Abilene (0.5) and Herington (0.5) in Dickinson County (1.0)
- Ottawa (0.5), Pomona (0.5), and Williamsburg (0.5) in Franklin County (1.0)
- Perry (0.5) in Jefferson County (1.0)
- Hillsboro (0.5) in Marion County (1.0)
- Lindsborg (0.5) in McPherson County (1.0)
- Louisburg (0.5), Osawatomie (0.5), and Paola (0.5) in Miami County (1.0)
- Sabetha (0.5) in Nemaha County (1.0)
- Hutchinson (0.5) in Reno County (1.0)
- Manhattan (part) (1.0) and Ogden (1.0) in Riley County (0.5)
- Salina (0.5) in Saline County (1.0)

**1.6% Rate (16 cities)**

- DeSoto (1.0), Edgerton (1.0), Fairway (1.0), Gardner (1.0), Leawood (1.0), Lenexa (1.0), Merriam (1.0), Mission (1.0), Olathe (1.0), Overland Park (1.0), Prairie Village (1.0), Roeland Park (1.0), Shawnee (1.0), Spring Hill (part) (1.0), Westwood (1.0), and Westwood Hills (1.0) in Johnson County (0.6)

**2% Rate (14 cities and 1 county)**

- Horton (1.0) in Brown County (1.0)
- Baxter Springs (1.0), Columbus (1.0), Galena (1.0), Scammon (1.0), and Weir (1.0) in Cherokee County (1.0)
- Junction City (1.0) in Geary County (1.0)
- Chetopa (1.0) and Edna (1.0) in Labette County (1.0)
- Spring Hill (part) (1.0) in Miami County (1.0)
- Delphos (1.0) in Ottawa County (1.0)
- Bonner Springs (1.0), Edwardsville (1.0), and Kansas City (1.0) in Wyandotte County (1.0)
- Jackson County (2.0). (No cities in Jackson County currently impose a local sales tax.)

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TOPEKA

HOUSE OF  
 REPRESENTATIVES

COMMITTEE ASSIGNMENTS  
 VICE CHAIR JUDICIARY  
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 TRANSPORTATION  
 LEGISLATIVE, JUDICIAL &  
 CONGRESSIONAL APPORTIONMENT  
 JOINT COMMITTEE ON  
 KANSAS PUBLIC EMPLOYEES  
 RETIREMENT SYSTEM (KPEERS)  
 INVESTMENT PRACTICES

TESTIMONY BEFORE THE HOUSE TAXATION COMMITTEE  
 REGARDING S.B. 723

March 26, 1992

Madam Chair and Members of the Committee:

Thank you for the opportunity to appear before you today. My purpose for testifying is to simply share with you some information about the situation in Montgomery County so that you will be fully informed.

S.B. 723 would grant the City of Independence, Kansas additional taxing authority to raise a one-half cent sales tax in addition to the city's current one cent tax for economic development purposes.

Before this legislation was introduced, the City of Coffeyville has been exploring the possibility of using additional sales tax authority to fund a variety of community capital improvement projects. Instead of seeking additional local taxing authority, the Coffeyville city commission recently developed and endorsed a plan by which the existing county sales tax authority could be used, provided the voters of the county so approve, to fund the projects in Coffeyville and raise revenue for Independence and the remaining smaller communities in the county. It is my understanding that the civic leaders of Independence have also signed off on this plan. The county-wide plan would actually result in more revenue for the city of Independence than would S.B. 723 in its current form, provided the tax increase were approved by the voters.

The county-wide plan would not require the legislature to grant any additional taxing authority to the communities of Montgomery County. Instead, the existing but unused county one-cent taxing authority would be used. The only legislation that would be needed would be a change in the way the tax revenue raised by the county tax would be distributed to the political entities within the county. The plan calls for a distribution system based on population.

House Taxation  
 Attachment 2  
 03-26-92



I have attached a proposed bill requests which would meet the needs of the county-wide plan. I would requests that the committee either introduce and pass this as a committee bill as an alternative to S.B. 723. This would allow all the citizens of the county the opportunity to debate this issue and to have a vote on the county-wide plan.

Again, thank you for opportunity to share this information. I believe that the committee should be aware of this alternative proposal, endorsed by the Coffeyville City Commission, before considering S.B. 723. I would encourage the committee to introduce and favorably act on a bill to allow all citizens of Montgomery County to vote on a change in the distribution formula for a county tax, instead of acting on S.B. 723.

Section 1

Amend K.S.A. 12-192 By inserting a new subsection (c), Which shall state:

(c) As an alternative and in lieu of the apportionment formula provided in subsection (a), all revenue received by the Montgomery county treasurer from a countywide retailers' sales tax imposed at the rate of 1% after the effective date of this act may be apportioned among the county and each city located in such county, first to the county that portion of the revenue equal to the proportion that the population of the county residing in the unincorporated area of the county bears to the total population of the county, and second to the cities i the proportion that the population of each city bears to the total population of the county, provided such change in the apportionment formula is approved by the voters of the county.

The remaining subsection will be relettered accordingly.

taxing subdivision or subdivisions and shall be carried forward to the credit of such funds for the ensuing budget year in the manner provided for carrying forward balances remaining in such funds at the end of a budget year.

**History:** L. 1978, ch. 56, § 5; L. 1983, ch. 58, § 4; L. 1983, ch. 59, § 1; L. 1983, ch. 57, § 2; L. 1984, ch. 63, § 1; L. 1985, ch. 69, § 1; L. 1985, ch. 70, § 1; L. 1990, ch. 67, § 4; July 1.

**Source or prior law:**  
12-176.

**Law Review and Bar Journal References:**

"Survey of Kansas Law: Taxation," Sandra Craig McKenzie and Virginia Ratzlaff, 33 K.L.R. 71, 77 (1984).  
"Survey of Kansas Law: Taxation," Sandra Craig McKenzie, Eric B. Milstead, 37 K.L.R. 961, 988 (1989).

**Attorney General's Opinions:**

City retailers' sales tax; situs of taxable transactions. 81-79.  
Kansas retailers' sales tax; exempt sales. 90-17.

**CASE ANNOTATIONS**

1. Place of business for local sales tax on services is place where service performed. *Capital Electric Line Builders, Inc. v. Lennen*, 232 K. 379, 380, 386, 654 P.2d 464 (1982).

**12-191a. Countywide and city retailers' sales taxes; determination of situs of sale of certain services.** For the purpose of determining the situs of installation, maintenance, servicing and repair services taxable under the provisions of K.S.A. 12-187 *et seq.* and amendments thereto, the place of business of the retailer of such services shall be the office or other location from which such retailer does business. Such location may be established by determining the location where sales or service personnel report or at which mail is received, orders are taken, telephone service is listed or the consideration of any other relevant factors established by rules and regulations of the secretary of revenue. If the place of business of a retailer of services is located within the boundaries of a city or county imposing a local retailers' sales tax, services performed by such retailer are subject to the tax regardless of whether the service is performed within or without the boundaries of the taxing jurisdiction. If there is no fixed or determinable place of business for any retailer, other than a retailer having its only place or places of business in another state, the place of business of such retailer shall be deemed to be the place where the services are performed.

**History:** L. 1983, ch. 58, § 2; April 28.

**12-192. Countywide retailers' sales taxes; apportionment of revenue from coun-**

**tywide retailers' sales tax; notification of state sales tax collected in county for preceding year.** (a) Except as otherwise provided by subsection (b) or (d), all revenue received by the director of taxation from a countywide retailers' sales tax shall be apportioned among the county and each city located in such county in the following manner: (1) One-half of all revenue received by the director of taxation shall be apportioned among the county and each city located in such county in the proportion that the total tangible property tax levies made in such county in the preceding year for all funds of each such governmental unit bear to the total of all such levies made in the preceding year, and (2) except as provided by paragraph (3), 1/2 of all revenue received by the director of taxation from such countywide retailers' sales tax shall be apportioned among the county and each city located in such county, first to the county that portion of the revenue equal to the proportion that the population of the county residing in the unincorporated area of the county bears to the total population of the county, and second to the cities in the proportion that the population of each city bears to the total population of the county, except that no persons residing within the Fort Riley military reservation shall be included in the determination of the population of any city located within Riley county, or (3) one-half of all revenue received by the director of taxation from countywide retailers' sales taxes levied in Geary county in any year shall be apportioned among the county and each city located in such county, first to the county that portion of the revenue equal to the proportion that the population of the county residing in the unincorporated area of the county less the population residing on a military reservation bears to the total population of the county less the population residing on a military reservation, and second to the cities in the proportion that the population of each city bears to the total population of the county less the population residing on a military reservation. All revenue apportioned to a county shall be paid to its county treasurer and shall be credited to the general fund of the county.

(b) As an alternative and in lieu of the apportionment formula provided in subsection (a), all revenue received by the Johnson county treasurer from a countywide retailers' sales tax imposed at the rate of 1% after the effective date of this act may be apportioned among the county and each city located in such county in

the following revenue shall be apportioned as prescribed by subsection (a) or (b). All such revenues shall be apportioned as follows: (A) One-half of all revenue received by the director of taxation from such countywide retailers' sales tax shall be apportioned among the county and each city located in such county in the following manner: (1) One-half of all revenue received by the director of taxation shall be apportioned among the county and each city located in such county in the proportion that the total tangible property tax levies made in such county in the preceding year for all funds of each such governmental unit bear to the total of all such levies made in the preceding year, and (2) except as provided by paragraph (3), 1/2 of all revenue received by the director of taxation from such countywide retailers' sales tax shall be apportioned among the county and each city located in such county, first to the county that portion of the revenue equal to the proportion that the population of the county residing in the unincorporated area of the county bears to the total population of the county, and second to the cities in the proportion that the population of each city bears to the total population of the county, except that no persons residing within the Fort Riley military reservation shall be included in the determination of the population of any city located within Riley county, or (3) one-half of all revenue received by the director of taxation from countywide retailers' sales taxes levied in Geary county in any year shall be apportioned among the county and each city located in such county, first to the county that portion of the revenue equal to the proportion that the population of the county residing in the unincorporated area of the county less the population residing on a military reservation bears to the total population of the county less the population residing on a military reservation, and second to the cities in the proportion that the population of each city bears to the total population of the county less the population residing on a military reservation. All revenue apportioned to a county shall be paid to its county treasurer and shall be credited to the general fund of the county.

(c) Except as otherwise provided by subsection (b), the term "total tangible property tax levies" means the total of all such levies made in the preceding year for all funds of each such governmental unit. (d) All revenue received by the director of taxation from such countywide retailers' sales tax shall be apportioned among the county and each city located in such county in the following manner: (1) One-half of all revenue received by the director of taxation shall be apportioned among the county and each city located in such county in the proportion that the total tangible property tax levies made in such county in the preceding year for all funds of each such governmental unit bear to the total of all such levies made in the preceding year, and (2) except as provided by paragraph (3), 1/2 of all revenue received by the director of taxation from such countywide retailers' sales tax shall be apportioned among the county and each city located in such county, first to the county that portion of the revenue equal to the proportion that the population of the county residing in the unincorporated area of the county bears to the total population of the county, and second to the cities in the proportion that the population of each city bears to the total population of the county, except that no persons residing within the Fort Riley military reservation shall be included in the determination of the population of any city located within Riley county, or (3) one-half of all revenue received by the director of taxation from countywide retailers' sales taxes levied in Geary county in any year shall be apportioned among the county and each city located in such county, first to the county that portion of the revenue equal to the proportion that the population of the county residing in the unincorporated area of the county less the population residing on a military reservation bears to the total population of the county less the population residing on a military reservation, and second to the cities in the proportion that the population of each city bears to the total population of the county less the population residing on a military reservation. All revenue apportioned to a county shall be paid to its county treasurer and shall be credited to the general fund of the county.

(e) All revenue received by the director of taxation from such countywide retailers' sales tax shall be apportioned among the county and each city located in such county in the following manner: (1) One-half of all revenue received by the director of taxation shall be apportioned among the county and each city located in such county in the proportion that the total tangible property tax levies made in such county in the preceding year for all funds of each such governmental unit bear to the total of all such levies made in the preceding year, and (2) except as provided by paragraph (3), 1/2 of all revenue received by the director of taxation from such countywide retailers' sales tax shall be apportioned among the county and each city located in such county, first to the county that portion of the revenue equal to the proportion that the population of the county residing in the unincorporated area of the county bears to the total population of the county, and second to the cities in the proportion that the population of each city bears to the total population of the county, except that no persons residing within the Fort Riley military reservation shall be included in the determination of the population of any city located within Riley county, or (3) one-half of all revenue received by the director of taxation from countywide retailers' sales taxes levied in Geary county in any year shall be apportioned among the county and each city located in such county, first to the county that portion of the revenue equal to the proportion that the population of the county residing in the unincorporated area of the county less the population residing on a military reservation bears to the total population of the county less the population residing on a military reservation, and second to the cities in the proportion that the population of each city bears to the total population of the county less the population residing on a military reservation. All revenue apportioned to a county shall be paid to its county treasurer and shall be credited to the general fund of the county.

the following manner: (1) One-half of all such revenue shall be apportioned in the manner prescribed by subsection (a) and (2) one-half of all such revenue shall be apportioned as follows: (A) One-fourth shall be apportioned among the county and each city located in such county in the proportion that the total tangible property tax levies made in such county in the preceding year for all funds of each such governmental unit bear to the total of all such levies made in the preceding year and (B) one-fourth shall be apportioned among the county and each city located in such county, first to the county that portion of the revenue equal to the proportion that the population of the county residing in the unincorporated area of the county bears to the total population of the county, and second to the cities in the proportion that the population of each city bears to the total population of the county and (C) one-half shall be retained by the county for its sole use and benefit.

(c) Except as otherwise provided by this subsection, for purposes of subsections (a) and (b), the term "total tangible property tax levies" means the aggregate dollar amount of tax revenue derived from ad valorem tax levies applicable to all tangible property located within each such city or county. The ad valorem property tax levy of any county or city district entity or subdivision shall be included within this term if the levy of any such district entity or subdivision is applicable to all tangible property located within each such city or county. The ad valorem property tax levy of any city in Johnson county levied for the purpose of providing fire protection service shall be included within the term "total tangible property tax levies" regardless of its applicability to all tangible property located within each such city.

(d) All revenue received by any county treasurer from a countywide retailers' sales tax imposed pursuant to paragraph (2) of subsection (b) of K.S.A. 12-187, and amendments thereto, shall be retained by the county and expended only for the purpose for which the revenue received from the tax was pledged.

(e) All revenue apportioned to the several cities of the county shall be paid to the respective treasurers thereof and deposited in the general fund of the city. Whenever the territory of any city is located in two or more counties and any one or more of such counties do not levy a countywide retailers' sales tax, or whenever such counties do not levy coun-

tywide retailers' sales taxes at a uniform rate, the revenue received by such city from the proceeds of the countywide retailers' sales tax, as an alternative to depositing the same in the general fund, may be used for the purpose of reducing the tax levies of such city upon the taxable tangible property located within the county levying such countywide retailers' sales tax.

(f) Prior to March 1 of each year, the secretary of revenue shall advise each county treasurer of the revenue collected in such county from the state retailers' sales tax for the preceding calendar year.

(g) Prior to December 31 of each year, the clerk of every county imposing a countywide retailers' sales tax shall provide such information deemed necessary by the secretary of revenue to apportion and remit revenue to the counties and cities pursuant to this section.

**History:** L. 1978, ch. 56, § 6; L. 1980, ch. 61, § 1; L. 1981, ch. 66, § 1; L. 1981, ch. 67, § 1; L. 1982, ch. 65, § 1; L. 1983, ch. 60, § 1; L. 1986, ch. 67, § 1; L. 1987, ch. 63, § 3; L. 1988, ch. 72, § 2; L. 1991, ch. 82, § 3; July 1.

**Source or prior law:**  
12-177.

**Revisor's Note:**

Section was amended three times in 1986 session, see also 12-192a and 12-192b.

**Law Review and Bar Journal References:**

"Survey of Kansas Law: Taxation," Sandra Craig McKenzie and Virginia Ratzlaff, 33 K.L.R. 71, 77 (1984).

**Attorney General's Opinions:**

Procedure for adoption of city and county retailers' sales taxes. 82-29.

Countywide retailers' sales tax; use of tax revenue. 82-147.

Apportionment of revenue from countywide retailers' sales tax. 83-47.

Pledge of revenue received from countywide retailers' sales taxes. 83-57.

Apportionment of revenue from countywide retailers' sales tax. 85-88.

**12-192a.**

**History:** L. 1978, ch. 56, § 6; L. 1980, ch. 61, § 1; L. 1981, ch. 66, § 1; L. 1981, ch. 67, § 1; L. 1982, ch. 65, § 1; L. 1983, ch. 60, § 1; L. 1986, ch. 68, § 1; Repealed, L. 1987, ch. 63, § 6; April 2.

**12-192b.**

**History:** L. 1978, ch. 56, § 6; L. 1980, ch. 61, § 1; L. 1981, ch. 66, § 1; L. 1981, ch. 67, § 1; L. 1982, ch. 65, § 1; L. 1983, ch. 60, § 1; L. 1986, ch. 66, § 1; Repealed, L. 1987, ch. 63, § 6; April 2.

**House Committee on Taxation**

**The Honorable Joan Wagnon, Chairperson,  
and members of the House Committee on Taxation**

**March 26, 1992**

House Taxation  
Attachment 3  
03-26-92

## Summary

We are here today from Independence to ask for your support of Senate bill 723. Attending this meeting on behalf of our community are:

<u>Name</u>	<u>Representing</u>	<u>Professional Affiliation</u>
Vince Driski	Independence Action Partnership	ARCO Pipeline Company
Bill Reeder	Independence Action Partnership	Viets and Gorman
Larry Kimble	Independence Industries	Hackney & Sons
Don Hill	Independence Chamber of Commerce	Kansas Gas & Electric
Virgina Kelly	Independence Chamber of Commerce	United Cities Gas
Chuck Goad	Independence Chamber of Commerce	BANK IV Kansas, N.A.
Jim Kelly	Montgomery County Action Council	Citizens National Bank
Mike Seller	Commissioner, City of Independence	
Paul Sasse	City Manager, City of Independence	

We are here to talk to you about the future and growth of our community. Independence desires and needs to promote economic growth. Passage of S.B. 723 would be a vital first step in the establishment of a strong economic development fund which will be a critical component in our community's future development.

Over the past 25 years 3 new major employers (Emerson Electric, Automotive Controls Corporation, Hackney & Sons) came to Independence while two others (Electra Manufacturing, Starcraft) left. Although some growth occurred in the community businesses it has tended to generally fluctuate depending on the strength of the economy. Though gradual, there has generally been improvement in the economy of the community until recently.

The recent recession has caused a number of permanent changes that have negatively impacted our business environment and has highlighted the need for economic development. In the last 12 months 109 jobs have been eliminated in our community. Announcements of another 20 have been recently received. Within a 45 mile radius of our community, approximately 1,365 jobs will be eliminated over the next few months. The loss of this income represents a serious threat to the future of our community.

The community responded quickly and positively to these adverse changes. A "grass roots" organization was formed to begin formulating an action plan. This group is the Independence Action Partnership (I.A.P.) and is represented here today. The I.A.P. is a partnership of business, government, and private citizens. Hundreds of civic minded people invested their time to produce our strategic plan. Professor Tony Redwood at the University of Kansas came to Independence after reviewing the document to provide input and recommendations. The review was very favorable particularly in view of the fact that Independence citizens completed the plan on their own without grant money which has been provided to other cities under similar circumstances. A new promotional video was completed at the end of 1991. Even with all of this effort by the community, we have found it almost impossible to attract new business without the funding necessary to provide some type of

economic incentives. In fact, several industrial prospects have been lost over the past several months because of this deficiency.

We have learned that it is absolutely essential that a source of revenue be identified and used to start an economic development fund. Only then can we take advantage of matching funds and provide direct incentives to businesses if called for.

Again, your very important support for this bill is being requested to help ensure the future of our community and other Kansas communities like ours. Senate bill 723 will allow us to help ourselves. It will allow the voters of our community to authorize the economic development funds they so desperately need. Thank you for your time and your consideration.

## Situational Analysis and Planning

The city of Independence was built on a strong economic base of agricultural, oil & gas, and small business. During the late 1960's and 1970's we recognized the need for introduction of manufacturing into our economic mix. We were successful in recruiting several large manufacturing businesses into our community, two of which are Fortune 500 companies.

With the economic downturn beginning in the 1980's the city experienced an increased unemployment rate from approximately 2% in 1980 to over 14% in 1985. This high unemployment has resulted in loss of population as witnessed by the recently released census data which showed the city's population decreasing from 10,598 to 9,942 from 1980 to 1990. In addition, the total civilian workforce in Montgomery County went from 21,525 to 17,920 over the same period. Of significant concern was the recent announcement of the loss of additional jobs from what was traditionally thought of as stable employers in our community.

In the last 12 months:

1. Arco Pipeline has transferred 50 families to Houston, Texas.
2. Arco Pipeline eliminated 49 jobs in a corporate restructuring plan.
3. Southwestern Bell has eliminated 10 jobs in Independence.
4. The U.S. Postal Service has announced the transfer of an additional 20 jobs from Independence.

This does not reflect the loss of 950 jobs from Phillips Petroleum Company in Bartlesville, Oklahoma or 415 jobs at Day and Zimmerman in Parsons, Kansas, both of whom provided employment opportunities to citizens of our community.

Based on a review of the type and average income of the jobs above, it is estimated that the loss of disposable income due to these relocations and job losses will be approximately \$5,850,000 in our community alone. Using a conservative multiplier effect factor of 3, we estimate the economic impact to our community to be approximately \$17,550,000. The economic loss occurring over the last 12 months represents a tremendous threat to our local economy. We have been confronted with a situation that demands immediate action.

The situation we have just described to you is not unique, it is one that many communities in Kansas face. Rural communities in



Kansas must begin to apply a serious and focused approach for adapting to and anticipating change.

In April of 1991, a coalition of citizens from Independence, Kansas formed to begin developing strategies which would enable the community to survive the economic changes it was experiencing and produce a strategic plan to preserve its quality of life into the 21st century. This coalition was named the Independence Action Partnership.

The first step in the planning process was to identify economic development assets, or the lack thereof, that would assist us in attracting new industry, expanding existing industries, and working with local entrepreneurs in our community. Hundreds of local citizens participated in the development of a strategic plan. The plan includes initiatives in the following areas:

1. **INDUSTRIAL RECRUITMENT AND EXPANSION.** Strategies include developing an attractive industrial park including infrastructure and speculative manufacturing facilities.
2. **EDUCATION.** Providing vocational and community colleges resources to new and expanding businesses for employee training and retraining.
3. **CHILD CARE.** Making reasonably priced child care available to employees around the clock.
4. **TOURISM.** Developing activities to supplement and enhance existing historical and recreational assets.
5. **HOUSING.** Making affordable housing available to low and moderate income families. In addition, making resources available to low and moderate income families to enable them to make energy efficient and aesthetic improvements to their homes.
6. **MARKETING.** Developing means by which our community can attract and retain industry.
7. **TRANSPORTATION.** Identifying and planning for transportation facilities necessary to preserve economic prosperity.
8. **FUNDING.** Identifying sources of funding for implementation of strategies.

The above list may appear ambitious but accomplishing the tasks listed are essential to preserving the community's quality of life and economic vitality.

The community is progressive. It has been willing to re-invest in itself with a new \$3,472,000 elementary school, \$1,000,000 restoration project at our 125 acre park and zoo, \$6,000,000 jail,

and the continued maintenance of our City's infrastructure. Citizens from our community worked vigorously in support of the Southeast Kansas highway corridor. Our ability to complete the above strategies, however, is impeded by the City's current statutory authority to raise funds.

Representatives of the Kansas Department of Commerce have advised that the lack of certain amenities eliminates our community from over 70% of the industrial prospect inquires they receive. Our industrial recruitment and expansion strategies will resolve this situation.

Senate Bill 723 addresses our needs. It provides for the following:

1. A local optional sales tax levy of 1/2% above the currently authorized local sales tax levy to dedicate to economic development purposes.
2. Has a 5 year sunset provision.

If enacted and approved locally by our voters the 1/2% sales tax will generate revenue, based on current levels of receipts, of \$556,000 per year. The funds can be used to address the following needs:

1. Funding to get our story out through advertising in other surrounding states.
2. Funds to provide for economic analysis required by all businesses considering Independence.
3. Development of suitable land for business and industrial development that is consistent with the growth patterns of our community.
4. The need to extend streets and utilities on sites available for industrial development, which have the estimated price tag of \$2,500,000. This estimate was proposed by the City's director of engineering services and would be the cost to develop the property adjoining the City and would serve a tract of approximately 80 to 100 acres.
5. The City needs to have funds available to provide "gap" financing for what is available from financial institutions and private resources to aid small, local entrepreneurs willing to take a risk on sound development projects.
6. The community needs to work with private sector developers for the construction of building spaces.

In viewing other states with which we are competing, we anticipate

that this level of resources will be required to compete in the area of economic development: i.e. Bartlesville, Oklahoma, located 40 miles from Independence, has an annual budget of \$900,000 for economic development which is derived from a sales tax levy. This compares with funds available for economic development produced by our citys' industrial levy which generates \$30,000 annually. Funds generated as a result of passage of S.B. 723 will allow us to compete with locations that provide greater funding to local units for economic development purposes. Finally, with the existing business climate, these funds will allow the City to provide incentives which will take away the negative aspects of our current property tax issues that affect our recruitment efforts.

Our request to you is that you support Senate Bill 723. This bill is a "boot strap" effort in that it allows local communities to pull themselves up and take some initiative in controlling their own destiny without reliance for funding from Topeka or Washington. In essence, we are asking for a chance to compete and determine an alternate method of funding our needs other than from property taxes and user fees. This bill provides for the use of a more popular local tax, which is subject to a vote of the people. Again, we ask your support for S.B. 723.



# LEGISLATIVE ISSUE PAPER

--League of Kansas Municipalities--

March 26, 1992

## INCREASING THE LOCAL SALES TAX OPTION

**Background.** There are 128 cities and 61 counties which currently levy a local sales tax in Kansas, in addition to the state's 4.25% levy. Such local taxes may be levied only with the approval of the voters. In calendar 1991, local sales taxes produced \$240.7 million. This is equivalent to 39% of the general property taxes levied by cities and counties in 1990 for 1991 purposes. The League supports legislation to increase the local sales tax option.

**General Rates.** The general rate limitation is currently .5% or 1.0% for cities and also .5% or 1.0% for countywide sales taxes. However, there are several special sales tax laws, as noted below. All city rates are now .5% or 1.0%; Rossville has not exercised its authority to levy a 2.0% tax. All countywide rates are now .5% or 1.0% except in Johnson (.6%), Finney and Ford (.75%), and Jackson (2.0%). While a combined (city and county) effective rate of 3% is authorized in Rossville and in Jackson county cities, the highest current effective local rate is 2.0%.

**Special Rate Provisions.** Following are some of the special sales tax provisions that exist:

Jackson County. 1% additional tax authorized for reservoir project; tax is now 2.0%.

Wyandotte County. .05% additional tax authorized for public facilities; not now used.

Johnson County. 0.25% additional tax authorized for culture district; not now used. Additional tax authorized for stormwater purposes; tax now being levied for a county total of 0.6%.

Rossville. 1.0% additional tax authorized for flood protection; not now used; city does levy a 1.0% tax.

Ford and Finney Counties. 0.25% countywide tax authorized for certain highway improvements, within 1.0% limit; both counties now levy a 0.75% tax.

Special Distributions. Several counties have special provisions as to revenue distributions, but these provisions do not authorize an additional tax.

### Pending Local Sales Tax Bills

There are nine bills relating to local sales taxes before the Legislature. These are:

**SB 213. Sales Taxation; Saline County.** As passed by the House, this bill includes the provision of HB 3166--see summary below. In Conference Committee.

**SB 683. Local Sales Tax; Rate Increments.** By S,AT. Amends K.S.A. 12-187 and 12-189 to permit all city or countywide rates to be at .25%, .5%, .75% or 1.0% (now .5% or 1.0%). Class B cities (Rossville) may levy a tax at .25% increments up to present 2.0% limit. To H,Tax.

**SB 723. City Sales Tax; Independence--Economic Development.** By S,AT. Amends K.S.A.

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12-187, 12-188 and 12-189 to authorize a newly created Class D city (Independence) to levy an additional .5% sales tax, for 5 years, for "economic development initiatives." To H,Tax.

**HB 2549. City Sales Tax for Crime Prevention.** By H,FSA. Allows any city, subject to an election, to levy an additional .25% sales tax for "special crime prevention efforts." To H,Tax.

**HB 2585. City Sales Tax; Manhattan and K.S.U.** Amends K.S.A. 12-187 to allow Manhattan to submit to election the question of levying an additional .5% local sales tax for projects mutually benefiting the city and Kansas State University. To H,Tax.

**HB 2776. Countywide Sales Tax; Pottawatomie County.** By Rep. Rezac. Amends K.S.A. 12-187 to allow Pottawatomie County to call an election to impose an additional 1.0% sales tax, with revenue pledged to the county's rural highway fund. To H,Tax.

**HB 2779. Local Sales Tax; Health Care Services.** By Reps. Chronister and 37 others. Amends K.S.A. 12-187 and 12-189 to allow any city or county to submit to a vote an additional sales tax of .25%, .5%, .75% or 1.0%, with revenue pledged to finance "health care services". To S,AT.

**HB 2901. Local Sales Tax; Rate Increments.** By Rep. Heinemann. Amends K.S.A. 12-189 relating to the general local sales tax rates that may be levied by cities or countywide, to permit .25% increments: .25%, .5%, .75% or 1.0% (now .5% or 1.0%). To H,Tax.

**HB 3166. Countywide Sales Tax; Saline County.** By H,AT. Amends K.S.A. 12-187 and 12-189 to authorize Saline County, with voter approval, to levy an additional 0.5% sales tax, with revenue earmarked for courthouse, jail or law enforcement center. To H,LG. (See SB 213, above).

### League Proposal

The League of Kansas Municipalities proposes a bill, amendments or substitute bill which would do the following:

**(1) Rate Increments.** The amount of city or countywide local sales tax rates would be authorized at .25% increments, similar to the provisions of SB 683. The actual rate as under present law, would be determined by the voters according to ballot propositions submitted by local governing bodies.

**(2) Increased Tax Rates.** All cities and counties would be authorized to hold referendums on the question of levying an additional .25% or .5% sales tax, above the present general limit of 1.0%.

**(3) Purposes.** Revenue from the additional tax authority (from any .25% or .5% tax above the present general maximum of 1.0%) could be used only for a purpose or purposes specified in the ballot proposition, as discussed below.

**(4) Term of Tax.** There should be specific authority to specify the term of any proposed additional tax, to be included in the ballot proposition.

**(5) Cap Limit.** This proposal effectively provides for a general city tax maximum and general countywide maximum of 1.5%. However, special sales tax law provisions now authorize a tax of more than 1.0% in Jackson County (2.0%), Johnson County (1.10%), Wyandotte County (1.5%), and Rossville (2.0%). There is also the Metropolitan Culture District Compact 1991 Act. Further, HB 2779, as passed by the House, would authorize an additional 1% city and county

sales tax for health care. An amendment may be needed to exclude the application of the proposed additional general tax authority to those units that now have additional tax authority.

### **Purposes Of Additional Tax**

The additional .25% or .5% tax would be authorized only for certain statutorily defined purposes, in contrast to the existing general sales tax authority which may be used for any general government purpose (with some special provisions for specified purposes). The purposes proposed to be included in the bill are as follows:

- (a) property tax reduction.
- (b) public safety and crime prevention, such as in HB 2549.
- (c) health care services, such as in HB 2799.
- (d) public infrastructure improvements, including buildings, such as in SB 213 and HB 3166.
- (e) economic development, such as in SB 723.

The League believes that the purposes for which local sales tax money should be spent should be a local decision. However, it is unlikely that a bill authorizing additional local sales tax authority will receive a majority in both houses of the Legislature unless the possible additional tax is limited to certain public purposes that seem to have a high priority with state legislators.

### **Reasons for Change**

Local sales taxes are not an adequate and practical solution to local government financing and property tax problems in some areas of Kansas--it is simply not very productive in areas where there are few retail establishments. Further, proposed increases may not be acceptable to the voters in some cities and counties. However, it will help in many areas. The League believes that cities and counties, and their voters, should be given the options proposed in these amendments. It is the principal non-property tax option available to local units in the future. In some areas it provides an opportunity to further reduce the reliance on property taxes.

Fiscal Impact to Counties on Delayed Payment

County	# of Returns	Prop. Tax Paid	Prop. Tax Average	Refund CLAIMED	Refund Average	% Claim/ Tax Paid	Interest x 30 days
Allen	318	110,072	346	51,795	163	47	170.28
Anderson	140	78,732	562	20,992	150	27	69.01
Atchison	269	96,848	360	45,250	168	47	148.77
Barber	59	19,437	329	9,241	157	48	30.38
Bourbon	398	137,469	345	68,437	172	50	225.00
Brown	187	60,184	322	30,053	161	50	98.80
Barton	470	329,348	701	86,281	184	26	283.66
Butler	611	252,385	413	111,793	183	44	367.54
Clark	34	11,403	335	5,377	158	47	17.68
Cloud	174	67,497	388	28,399	163	42	93.37
Coffey	105	28,322	270	14,452	138	51	47.51
Cherokee	487	122,719	252	63,303	130	52	208.12
Cowley	708	293,237	414	131,083	185	45	430.96
Comanche	27	9,018	334	4,959	184	55	16.30
Cheyenne	46	13,876	302	7,719	168	56	25.38
Chautauqua	83	22,696	273	11,135	134	49	36.61
Crawford	676	191,791	284	89,260	132	47	293.46
Chase	52	15,640	301	7,056	136	45	23.20
Clay	156	56,459	376	24,326	162	43	79.98
Decatur	41	12,193	297	5,768	141	47	18.96
Douglas	560	276,674	494	125,629	224	45	413.03
Dickinson	333	125,779	378	58,604	176	47	192.67
Doniphan	134	42,610	318	21,787	163	51	71.63
Edwards	63	18,917	300	8,854	141	47	29.11
Elk	64	16,071	251	7,129	111	44	23.44
Ellis	347	146,776	423	64,377	186	44	211.65
Ellsworth	93	36,561	393	14,972	161	41	49.22
Finney	270	129,863	481	59,803	221	46	196.61
Ford	264	171,100	648	58,892	223	34	193.62
Franklin	419	214,812	513	79,123	189	37	260.13
Geary	221	103,315	467	50,657	229	49	166.54
Graham	46	14,185	308	7,233	157	51	23.78
Greeley	15	5,570	371	2,336	156	42	7.68
Gove	42	15,427	367	7,510	179	49	24.69
Grant	32	10,198	319	4,845	151	48	15.93
Greenwood	184	76,690	417	25,100	136	33	82.52
Gray	46	23,329	507	8,287	180	36	27.24
Hodgeman	26	50,239	1,932	5,419	208	11	17.82
Hamilton	34	8,964	264	4,072	120	45	13.39
Harper	123	44,916	365	21,135	172	47	69.48
Haskell	17	5,527	325	2,849	168	52	9.37
Harvey	373	192,461	516	80,778	217	42	265.57
Jackson	207	75,030	362	34,046	164	45	111.93
Jefferson	189	156,179	826	37,958	201	24	124.79
Johnson	1,324	1,293,697	977	306,570	232	24	1,007.90
Jewell	57	21,643	380	7,618	134	35	25.05
Kearny	25	8,038	322	3,588	144	45	11.80
Kingman	137	60,242	440	24,002	175	40	78.91
Kiowa	28	8,927	319	4,184	149	47	13.76
Labette	492	407,267	828	78,848	160	19	259.23
Lincoln	28	6,669	238	2,993	107	45	9.84
Lane	24	11,811	492	5,246	219	44	17.25
Logan	36	12,130	337	6,589	183	54	21.66
Linn	146	69,034	473	20,375	140	30	66.99
Leavenworth	574	394,545	687	127,499	222	32	419.17

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County	# of Returns	Prop.Tax Paid	Prop.Tax Average	Refund CLAIMED	Refund Average	% Claim/ Tax Paid	Interest x 30 days
Lyon	388	167,068	431	75,052	193	45	246.75
Mitchell	86	678,459	7,889	12,927	150	2	42.50
Meade	55	68,850	1,252	10,513	191	15	34.56
Montgomery	1,026	392,147	382	175,507	171	45	577.01
Miami	278	128,689	463	59,270	213	46	194.86
Marion	172	59,188	344	22,678	132	38	74.56
McPherson	375	189,194	505	78,866	210	42	259.29
Morris	109	37,513	344	17,964	165	48	59.06
Marshall	230	83,784	364	39,541	172	47	130.00
Morton	27	8,663	321	4,541	168	52	14.93
Nemaha	196	69,130	353	32,872	168	48	108.07
Neosho	407	148,664	365	67,946	167	46	223.38
Ness	66	25,818	391	12,271	186	48	40.34
Norton	82	31,196	380	14,859	181	48	48.85
Osborne	69	20,777	301	9,004	130	43	29.60
Osage	218	125,218	574	37,351	171	30	122.80
Ottawa	81	26,954	333	13,188	163	49	43.36
Phillips	123	175,057	1,423	18,202	148	10	59.84
Pawnee	114	41,656	365	21,117	185	51	69.43
Pratt	137	58,174	425	25,929	189	45	85.25
Pottawatomie	176	60,051	341	30,641	174	51	100.74
Rawlins	45	14,687	326	7,698	171	52	25.31
Rice	123	36,186	294	16,073	131	44	52.84
Rush	51	14,964	293	7,312	143	49	24.04
Riley	298	195,713	657	60,989	205	31	200.51
Reno	1,114	542,513	487	206,452	185	38	678.75
Rooks	96	38,032	396	15,133	158	40	49.75
Republic	135	73,895	547	19,088	141	26	62.76
Russell	142	47,515	335	21,549	152	45	70.85
Saline	825	431,518	523	164,265	199	38	540.05
Scott	46	17,930	390	7,871	171	44	25.88
Sheridan	34	64,423	1,895	6,057	178	9	19.91
Stafford	61	22,305	366	9,603	157	43	31.57
Sedgwick	5,447	2,697,117	495	1,198,285	220	44	3,939.57
Sherman	107	82,186	768	18,598	174	23	61.14
Smith	101	40,240	398	14,747	146	37	48.48
Shawnee	2,285	1,442,817	631	503,922	221	35	1,656.73
Stanton	10	3,781	378	1,545	155	41	5.08
Sumner	337	152,673	453	66,571	198	44	218.86
Stevens	17	4,711	277	2,041	120	43	6.71
Seward	125	56,507	452	24,949	200	44	82.02
Thomas	78	34,586	443	15,469	198	45	50.86
Trego	62	21,713	350	9,153	148	42	30.09
Wallace	32	8,528	267	4,761	149	56	15.65
Wabaunsee	72	27,231	378	11,541	160	42	37.94
Wichita	28	11,061	395	4,542	162	41	14.93
Wilson	257	76,188	296	38,204	149	50	125.60
Woodson	101	29,834	295	15,302	152	51	50.31
Washington	117	34,420	294	17,714	151	51	58.24
Wyandotte	2,915	1,452,154	498	641,165	220	44	2,107.94
TOTALS		16,456,200		6,106,424			20,075.91



# The University of Kansas

Institute for Public Policy  
and Business Research

March 25, 1992

Representative Diane Gjerstad  
Chair, House Committee on Economic  
Development  
State Capitol  
Topeka, Kansas 66612

Dear Representative Gjerstad:

Dr. Helga Upmeier and Henry Schwaller, IV, indicated that this morning you asked us to explore several questions related to our Fiscal and Economic Impact Model (Tax Abatement Model).

The issues you raise are somewhat complex and create dilemmas for us. We have developed the Model at considerable cost and time in order to respond to the needs of the two urban communities that requested our assistance, and we would have some trepidation about developing and serving all Kansas communities because of the resources this would require. As well, we do not allow cities to use the Model software due to the potential for misuse from manipulation. Therefore, we have operated the Model ourselves for the cities of Lawrence and Wichita, charging them the marginal costs associated with each use; it would be hard to retain this quality control if all communities are to be served in a similar manner.

In answering your first question about the feasibility of applying the Model on a state-wide basis, I believe that the Model could be altered to other Kansas communities. To some extent, the Model has been tailored in the past to individual communities. However, the Model could be tailored to apply to certain categories of communities, based on population, such as those communities which are entirely rural (no urban population, no city greater than 2,500 residents); small-sized cities (2,500-10,000 residents); medium-sized cities (10,000-50,000 residents); and large-sized cities (Lawrence, Wichita, Topeka, and Johnson County). This exercise would take some time and effort to do. For example, we have spent 4 months in altering the Model in order to make it suitable for the City of Wichita. Additionally, some costs and other inputs within the Model must be updated periodically.

Your second question dealt with the sophistication and complexity of the Model. In other words, would a simpler version of the Model be sufficient? The Model has been extensively improved and modified to take into account all measurable impacts which are critical to a comprehensive cost/benefit analysis. A simpler version of the Model would not effectively capture the overall effect of the new development, as well as the granting of a property tax abatement. All of these variables are important to the working of the Model and are relevant to both rural and urban communities. While some are readily available in

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published form (mill levy rates, per pupil public school expenditures), others would require additional research, including field work, to compile.

The original basis for our Model is a more simple framework developed by Dr. David Darling with the Kansas State University Extension Service. The numerous additions that we have made to this framework are listed in the attachment. Our view is that these extensions need to be taken into account, for both urban and rural communities, but in particular for the larger-magnitude decisions of abatement that are made in the larger communities, shielding decision makers from legal challenges. The KSU/Darling Model is, however, useful for smaller communities which are making smaller dollar-amount decisions. It is an excellent guide to fostering effective public decisions in smaller communities. Our Model, on the other hand, would probably be best for communities with population greater than 10,000. In both cases, however, some communities may not have the ability to operate the software on their own, and there may be the tendency to misuse, either deliberately or unintentionally, the Model. Therefore, we feel that it is best for the Model to be operated by us, rather than converted for local public use.

Finally, the issue of cost needs to be answered. The Model could be extended to non-metropolitan communities and counties, but this may take some time. It could not be tailored to each community, due to resource constraints. Instead, the Model could be shaped to assist groups of communities with common characteristics, such as population or other similarities. As a very rough estimate, we feel that it would take approximately 2 years, at an estimated cost of \$25,000 per year, to properly develop and tailor the Model to use on a state-wide basis. During that time period, we would work down from the larger communities.

We have put this response together with minimum internal consideration, and we may have some further thoughts later. The current legislation requiring cost/benefit is being implemented somewhat haphazardly and usually without rigor, and therefore, further definition by the legislature would seem to be desirable.

Please feel free to call me (or Henry) if you would like us to elaborate on any of our answers.

Sincerely,

*Tony*

Anthony L. Redwood  
Professor, School of Business, and  
Executive Director

attachment

cc: Representative Joan Wagnon,  
Chair, House Taxation Committee

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## APPENDIX 1

### IPPBR ADDITIONS TO DARLING MODEL

alternate capital cost concept (LRAC)

capital cost methods:

- literature survey on impact fees
- Lawrence school cost estimate

direct employment impact on households: survey of firms

indirect employment impacts:

- equilibrium labor model
- employment multiplier

household impact methods:

- estimate of local versus non-local consumption shares from CES
- estimate of house value to income ratio from bank data

aggregate balancing concept (model should predict present government budgets)

allocating city operation costs to households vs businesses:

- survey concept
- survey implementation

allocating public operating and capital costs between businesses:

- employment
- square footage
- real estate values
- per business

present value accounting software

average long-run flow concept for costs and benefits

discount rate method: real tax free bond rate plus risk premium

choice of a benefit/cost criterion: four considerations

- data and model uncertainty
- omitted intangible costs
- investment risk (the firm may leave prematurely)
- failures of the "but for" test; game problems (i.e. what % of abatements are wasted?)

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