



League of Kansas Municipalities

Date: March 15, 2012
To: House Committee on Taxation
From: Larry R. Baer
Assistant General Counsel
Re: HB 2763
Testimony in Opposition.

Thank you for allowing me to appear before you today and present testimony on House Bill 2763 on behalf of the League of Kansas Municipalities and our member cities. It is the League's opinion that HB 2763 will have a very significant negative fiscal impact upon local governments in Kansas. Therefore, the League opposes HB 2763.

This legislation repeals the state retailers sales and use tax laws. Because local option sales and use taxes are linked to and follow state sales and use tax, the repeal of the state sales and use tax provisions has the effect of repealing the local option sales and use tax. This impacts the ability of cities, counties and certain special taxing districts (Washburn University, TIFs, CIDs and Horse Thief Reservoir) to impose and collect sales and use taxes. There is no provision within HB 2763 to preserve the abilities of local governments to collect local option sales and use taxes. This will result in lost revenue of \$841,447,000 to all local governments (2011 Kansas Tax Facts). This loss breaks down as follows: \$434,594,000 to counties; \$363,399,000 to cities; and, \$43,454,000 to special districts.

Current law exempts all governmental entities, including cities and counties, from payment of sales and use taxes. HB 2763 does not exempt local governments from the payment of the newly created consumption tax of 5.7% on all purchases of goods and services that are subject to the tax. This will also result in significant costs to local governments.

Because of the loss by cities of more than \$360 million in sales and use tax revenue and the imposition of the consumption tax on cities creates a significant fiscal impact upon cities, the League opposes the passage of HB 2763.

Thank you.