



To: Chairman Richard Carlson and the House Taxation Committee
From: Randall Allen, KAC Executive Director
Date: March 15, 2012
Re: HB 2763 (KS Economic Freedom Act of 2014)

Mr. Chairman and members of the committee, thank you for the opportunity to submit written testimony *in strong opposition to* HB 2763, the Kansas Economic Freedom Act of 2014. Other than the property tax, local-option sales taxes are the second largest revenue source for Kansas counties. Here is a comparison of the two most significant revenue sources for counties in Kansas:

- In 2010, Kansas counties in aggregate levied **\$1.074 billion** in property taxes to finance county services.
- According to the **2011 Kansas Tax Facts** publication, counties received **\$434.6 million** in local sales and use tax revenues to finance county services.

HB 2763 repeals the state sales and use tax laws. It appears that because local option sales and use taxes are linked to the State's sales and use tax laws, the repeal of the State sales and use tax in HB 2763 would have the effect of repealing local option sales tax and use tax authority. Currently, 87 of the 105 counties have countywide sales taxes in effect. Historically, imposition of local option sales taxes has required voter approval. One of the major reasons cited for a fairly high rate of voter approval is that governing bodies often identify specifically what will be done with the revenue (i.e. specific facilities or programs) so that voters know in advance how the monies will be used.

In addition to the loss of significant revenue, counties would no longer be exempt from paying the newly-created consumption tax of 5.7% on the purchase of goods and services that are subject to the new tax. At this time, we cannot offer an estimate of the additional cost to counties (and county taxpayers) for the consumption tax costs for county purchases, but we believe it would be substantial.

In summary, for reasons of huge revenue losses and significant cost increases for county governments pursuant to the provisions of HB 2763, we respectfully ask that the committee not advance the bill for further consideration.

Thank you for the opportunity to submit written testimony on this matter.