

Written Testimony on House Bill 2352

Provided by the City of Wichita

February 20, 2019

The City of Wichita is supportive of efforts by the Kansas Legislature to ensure that cities and counties have adequate tax revenues to provide important services to our residents and to provide a level playing field for local businesses.

Sales tax revenues fund vital infrastructure improvements and other services (like public safety) that are important to City of Wichita residents. This important revenue source has been threatened by untaxed remote sales. The City of Wichita does not levy a sales tax (one of only two first class cities without a dedicated sales tax); however, the City does rely on a sizable portion of the Sedgwick County 1 cent sales tax to keep property taxes low, and help finance needed infrastructure improvements. With the passage of the Sedgwick County sales tax in 1985, the mill levy in Wichita dropped 8.7 mills. Since 1985, over \$600 million in local funds (in partnership with the Kansas Department of Transportation and Sedgwick County) has been used for local infrastructure, including over 13 miles of a new urban-standard cross-town freeway (US 400). Additionally, City of Wichita sales tax dollars have helped fund the K-96 bypass, the 13th Street Floodway Flyover Bridge, and numerous other road and bridge improvements.

Remote sales have grown significantly and will continue to rise. This is an ominous trend for communities financing local government services. Estimating the loss due to non-taxed remote sales is challenging, but it is believed to be well over \$1 million annually for the City of Wichita (and millions more for the State of Kansas). This gap is expected to widen and compound each year.

Wichita has many local businesses that generate sales tax revenue for both the State, Sedgwick County and (through the distribution of a share of countywide collections) the City of Wichita. These businesses can face an unequal playing field when forced to compete with remote sellers that don't collect sales tax from their Kansas customers. In Wichita this amounts to the equivalent of a 7.5% price advantage. This is unfair to Kansas brick and mortar retailers.

The City of Wichita is committed to maintaining a low and stable mill levy rate, to continue working with our partners to provide a dependable transportation network and infrastructure for south central Kansas residents, and to create conditions to foster economic growth for local Kansas businesses. Ensuring a fair and equitable taxing structure for local retailers (by addressing the taxability of remote sales) is an appropriate policy discussion that is supported by the City of Wichita and which will help address these strategic objectives.

