House Committee on Taxation
Hearing on House Bill 2656
Hearing Date – March 12, 2020

Written Testimony in opposition to HB 2656 on behalf of the City of Manhattan
By the Honorable Usha Reddi, Mayor of Manhattan

Good afternoon Chair Johnson, Vice Chair Mason and Honorable Members of the House Committee on Taxation.

The City of Manhattan opposes HB 2656, discontinuing the apportionment of countywide retailers' sales tax imposed for general purposes between the county and cities located therein. The current distribution formula has worked well for cities and counties for over 30 years, and prying this revenue source from city governments would have drastic property tax impacts.

- Legislation directing all proceeds from a countywide sales tax to the county would result in major loss of revenue for 492 cities in Kansas, which would include **$264.9 million** in city revenues for 2019 alone.

- If such legislation were in effect during the 2019 budget year, the City of Manhattan would have lost **$9.3 million** in sales tax revenues dedicated to city operations, capital improvement projects and debt service to keep property taxes down for city and county residents. Replacing this revenue in property taxes would result in a **15 mill increase** in property taxes to maintain the same level of services and continue with required debt payments.

- In December 2019, **90% of all sales** in Riley County and **60% of all sales** in Pottawattamie County occurred within Manhattan city limits. Cities both large and small within county governments drive economic vitality through sales. Removing such a vital revenue source from cities, of which such revenue is derived from economic activity within those cities, would result in the decline of city services, economic competiveness and overall quality of life. This would ultimately result in dramatically negative impacts to counties.

For all the reasons stated above, the City of Manhattan opposes HB 2656, and asks the Committee to reject consideration of this legislation. Thank you for your time and consideration.