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# CITY OF HALSTEAD

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Date: March 16, 2022  
To: Chairman Adam Smith and House Taxation Committee Members  
From: Ethan Reimer, City Manager

**Re: Testimony in Opposition to HB 2738 – Written Only**

Chair Smith and Committee Members, thank you for the opportunity to testify in opposition to HB 2738 on behalf of the City of Halstead and its Governing Body.

The City of Halstead currently receives revenues from a two percent (2%) county-wide sales tax that is assessed in Harvey County. Halstead's portion of each of these county-wide sales taxes is an important revenue stream for the city's operation and provision of services as requested and expected by our residents as well as ongoing debt service payments for our city. While HB 2738 would not affect the City of Halstead or the existing apportionment of county-wide sales tax revenues, it would potentially affect us in the future and only seems to set the stage for antagonism between counties and cities.

Any county being able to cut a city entirely out of revenue sharing of a county-wide sales tax going forward is troublesome and seems grossly unethical and unjust when you consider where the majority of any county-wide sales tax revenues are typically generated. Around 90% of sales taxes are generated by sales within city limits and most residents in the state also reside in those cities. It is highly unlikely that any county would plan to spend 90% of the revenues they receive from such a tax within the jurisdictional limits of a city. More likely a similar spending pattern to what is seen with county property taxes, which our residents also pay, would be the case with those revenues being spent on county expenses outside of a city's corporate limits.

The current formula for revenue sharing on county-wide sales taxes has been in effect since 1978 and has worked well for both Harvey County and the City of Halstead and is the manner that is currently used to split half the revenues of the county-wide sales taxes. When it came time for Harvey County to pass its second cent county-wide sales tax in the mid-2000s, an agreement between all the cities and the county that does deviate from the existing state formula based on the needs of and more importantly *compromise between* the cities and the county was reached which was agreeable to all parties. All cities and the county prospered by working together. HB 2738 does not require any such compromise or agreements and instead allows a county to unilaterally decide what to do with future revenues. The mechanism to deviate from the existing state formula for sales tax already exists if needed as Harvey County's example shows and HB 2738 only would remove existing protections and fairness in sales tax revenue sharing from cities going forward.

For these reasons, the City of Halstead requests you not to pass HB 2738 out of committee.

Respectfully submitted,

Ethan Reimer, City Manager