



**House Committee on Taxation  
Hearing on House Bill 2738  
Hearing Date – March 17, 2022**

**Written Testimony in opposition to HB 2738 on behalf of the City of Manhattan  
By Ron Fehr, City Manager**

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

**The City of Manhattan strongly opposes HB 2738**, discontinuing the apportionment of countywide retailers' sales tax imposed for general purposes between the county and cities located therein. HB 2738 would have detrimental impacts for city residents and businesses of Kansas. The current distribution formula has worked well for cities and counties for over 40 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. Statewide, there were **\$271.1 million** in distributions to cities and \$214.2 million to counties from countywide sales tax for general purposes in 2020 alone. The formula continues to work for cities and counties.
- If such legislation were in effect during the 2020 budget year, the City of Manhattan would have lost **\$8.1 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 roughly a **14 mill increase** in property taxes to maintain the same level of services and continue with required debt payments.
- In December 2020, **81% of all sales** in Riley County and **63% of all sales** in Pottawattamie County occurred within Manhattan city limits. Cities both large and small within county governments drive economic vitality through sales. Many county sales tax initiatives are passed by voters primarily living within city limits with the understanding of the cost share rules that exist. 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 competitiveness, 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 2738, and asks the Committee to reject consideration of this legislation. Thank you for your time and consideration.