

## **IMPORTANT FACTS CONCERNING TOPEKA SALES TAXES**

### **IF THIS TAX PASSES:**

- Topeka will be 16<sup>th</sup> highest in sales tax of the 627 cities in Kansas.
- Topeka will have the 6<sup>th</sup> highest sales tax rate in Kansas.

### **THE SALES TAX IS A BROAD-BASED TAX:**

- Food
- Clothing
- Home construction
- Phones
- Water
- Electricity
- Natural Gas
- Cable television service
- We even pay sales taxes on our franchise fee taxes.
- Much, much more.

### **TOPEKA ALREADY HAS PLENTY OF MONEY**

In the four years from January 2005 to January 2009, the city budget rose from \$153.2 million to \$196 million, an increase of 30% during a time when inflation was only 10.7%. It makes no sense that the street repair budget has been cut from \$5 million per year to \$500,000 per year, which is the real explanation for the deterioration of our streets.

### **SALES TAXES ARE BAD FOR BUSINESSES:**

Some businesses, like contractors, manufacturers, distributors and others, pay very high amounts of sales taxes. Many pay more in sales taxes than they do in property taxes, especially those with lots of tools, equipment and vehicles. Yet these are the very high-wage businesses Topeka wishes to attract, nurture, and keep.

### **USE TAXES ARE ATTACHED TO SALES TAXES:**

If the sales tax rate goes up, use taxes will also go up. Use taxes fall almost completely on businesses. Currently Topeka is collecting nearly \$4 million per year in local use tax, a tax that did not exist before 2003. Use tax is the sales tax that outsiders failed to collect. For instance, if a business buys a fork lift in Missouri, and the Missouri seller didn't charge sales tax on it, the Topeka business must declare and pay use tax on it in Kansas, including the local use tax. The use tax is the same percentage as the sales tax. Topeka's use tax will become 7.95%.

#### FIVE MILLION PER YEAR TO GO TOPEKA AND THE TOPEKA CHAMBER:

It has only been 3 1/2 years since August 2004, when we passed the last .25% sales tax increase, a tax to run for twelve years. Five million dollars per year now goes through JEDO to GO Topeka and the Topeka Chamber. Nearly one million per year of that revenue is going into Chamber of Commerce expenses.

#### TEN MILLION PER YEAR IN "PILOTS":

Topeka is now transferring about \$10 million per year from the water and sewer departments to the general fund in the form of "PILOTS" -- payments in lieu of taxes. Cities don't owe property taxes to themselves. That is a slight of hand trick equal to about .4% in sales taxes with no public votes allowed.

#### HUGE INCREASE IN UTILITY COSTS:

Recently, a huge increase in city utilities costs was passed by the city council. This will increase PILOTS, sales taxes, franchise fees, and sales taxes on franchise fees. It is a huge tax increase, passed with no opportunity for the public to vote on it.

In the meantime, the City doesn't even buy traffic signals and fire trucks without issuing expensive bonds. We are mortgaged to the hilt.

**LOSS OF RETAIL CUSTOMERS:** Topeka is losing its remote customers. In 1995, Topeka had a sales tax "pull factor" of 1.65. That means that for every dollar Topekans paid in Kansas sales tax, we collected \$1.65 from people outside the city. But, our pull factor has been dropping steadily. In 2003 it was down to 1.55. In 2007 it was down to 1.47. This drop is costing Topeka \$3.4 million per year, JEDO \$1.7 million per year, and Washburn University \$2.2 million per year.

**LOSS OF REVENUE GROWTH:** In 2000, Topeka's permanent 1% sales tax brought in \$23.1 million. In 2008, it brought in \$24.9 million, only one-third enough of an increase to even keep up with inflation. (The actual revenues from Topeka's 1% basic tax may be found at the Kansas Department of Revenue (KDOR) website, <http://www.ksrevenue.org/salesreports.htm>.)

**LOSS OF GROUND TO THE REST OF KANSAS:** Since 2002, the last time the state sales tax was increased, state sales tax revenues have increased 20.2%, inflation has been 16.2%, but Topeka's sales tax revenues have increased only 5.7%.

LOSS OF POPULATION: According to the Census Bureau, Topeka had 125,011 inhabitants in 1970. In 2007, we had 122,642, a loss of 2,400 in spite of the fact we had annexed 30% more territory in the meantime.

LOSS OF JOBS: Since November 2000, when the first JEDO sales tax was voted in, the private workforce in Topeka has declined by 5,700 jobs or 7%, from 87,900 to had 82,200.

LOSS OF RESIDENTS: According to the 2000 Census, 5,614 people leave Shawnee County to work, while 17,723 come in. If we wish to attract these people to live here, Topeka cannot continue to have the highest taxes in the area.

THESE PROJECTS SHOULD BE FUNDED THROUGH THE CITY BUDGET:

- None of the proposed items should be given their own “dedicated funding.” None should be separated from the normal budgeting process used for more than one hundred years.
- Even if some of the money is actually used for “catch-up” expenses, we don’t know what the other \$130 million would be used for.
- There is no guarantee that our property taxes won’t be increased as early as next year.
- Topeka should first put its money into repairing and maintaining the assets we have already built. Let’s quit building new streets until we catch up on the deferred maintenance on the ones already built.

SPECIAL PROJECTS:

- Street maintenance is not a “special project” as the legislature intended. This vote should not be presented as a “special project.”
- If we want to build a ballpark or riverfront project or downtown project, let’s vote on limited-life sales taxes for those. If we do build those things, let’s put the maintenance costs into the annual budgets.