

# 2010

## SALES

## TAX

## INITIATIVE

### City of Lindsborg

#### **Q: What led to the sales tax proposal?**

**A:** The current ½ cent sales tax is expiring. Without this revenue source, the City would have to rely on property tax increases in the future. Also, the Hospital would be responsible for \$65,000 in annual debt service. Given cuts in State revenue shared with local governments, Lindsborg must determine how to stabilize its economic future. Sales tax is the major key to this stability.

#### **Q: Are there other revenue sources which could generate an amount similar to a one-cent City sales tax?**

**A:** The City has studied other options, such as guest tax, increased fees, intangible tax, and local income tax. However, the only realistic alternative to sales tax would be significantly higher property taxes. The proposed one-cent sales tax would generate approximately **\$250,000**, which equates to **12-1/2 mills** of property tax.

#### **The 1/2 Cent Increase Will Fund:**

##### **1. Property Tax Relief:**

- Reduce property taxes by **3 mills**.

##### **2. Economic Development:**

- Retirement of Hospital debt (initial uses)
- Renovation of Sundstrom Building's first floor into a community conference center.

##### **3. Infrastructure:**

- Remaining funds will be used for street maintenance and other essential infrastructure projects.

#### **Q: Who bears the burden of sales tax versus property tax?**

**A:** When property tax is used to finance local government, all the money must be raised from owners of taxable property within the city limits. Further, about a quarter of the property in Lindsborg is tax exempt, so those who do pay property tax bear a relatively larger share of the burden than in most communities. Sales tax is paid by anyone who makes retail purchases in Lindsborg, so people outside the community carry a significant portion of the burden.

#### **Q: If I rent, why should I care about property taxes?**

**A:** Property taxes are a portion of costs of being a landlord. As a result, the landlord will have to find ways to build that property tax into the rent payments.

#### **Q: How much more sales tax would a household pay if the current one-half cent tax is raised to one-cent?**

**A:** This depends upon the dollars your household spends in Lindsborg. Retail purchases you make outside Lindsborg are not affected. As an example, if you spend \$150 per week on taxable retail purchases in Lindsborg, then the additional one-half cent would be \$3.25 per month, or \$39 per year (there is no sales tax on gasoline purchases).

**Q: What would be the cost savings to property owners?**

**A:** If property taxes are reduced **3 mills**, a home valued at \$200,000 would see a savings of \$69 and a \$150,000 home would net \$52 annually. A business valued at \$200,000 would save \$150.

**Q: How does this affect future economic development for our community?**

**A:** Because industrial/commercial property tax rates are twice as high as residential property in Kansas, high property taxes can have a detrimental impact on recruitment of new businesses and might drive some away.

**Q: What is the urgency to pass a sales tax right now?**

**A:** The current half-cent sales tax is expiring with no substitute revenue source on line to take its place.

**Q: Why not just continue the current half-cent tax?**

**A:** The current half-cent tax goes entirely for retiring hospital debt. It does not provide tax relief or significant funds towards economic development or infrastructure needs. The one-cent would stabilize the property tax in the foreseeable future.

**Q: Why not put a sunset provision to end the tax at a certain point in time?**

**A:** Because this tax is being used for tax relief, having a sunset would place the City in jeopardy of a huge tax increase once the sales tax expired. This would not stabilize the future of Lindsborg's financial condition but would cause significant financial uncertainty.

**Q: When would the one-cent take effect?**

**A:** July 1, 2010

**TAKE THE INITIATIVE!**

*The State of Kansas has taken millions of dollars out of municipal budgets in the last seven years...*

**TAKE IT BACK!**

*City reserves are strained with flat valuations, rising costs, with the inevitable increase in property tax rates...*

**TAKE CHARGE OF YOUR FUTURE!**

*Property owners are bearing an ever-growing burden of paying for essential city services...*

**TAKE THE LEAD IN REDUCING OVERALL TAXES!**

*Worthy projects are being delayed and even cancelled because of lack of funds...*

**TAKE CARE OF LOCAL NEEDS!**

- **Property Tax Relief**
- **Economic Development**
- **Infrastructure**

**Why should I vote for the sales tax?**

1. TO STABILIZE Future Property Taxes
2. TO HELP Retire Hospital Debt
3. TO ENABLE Capital Improvement Projects
4. TO AVOID Major Cuts In City Services

**How will I vote on this?**

*Mail ballot will be distributed on:*

**March 17, 2010**

*Mail ballot must be returned by Noon on:*

**April 6, 2010**

**TAKE THE INITIATIVE**

**VOTE YES**

**ON APRIL 6!**

**CITY OF LINDSBORG**



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