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## 8 percent: A tipping point for sales tax?

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We don't have it as good as shoppers in Alaska. But we don't have it as bad as those in Chicago.

The Kansas City area is in the middle of the country when it comes to sales taxes. But we will move up in the pecking order if taxes pass in Kansas City and Johnson County next month.

If either tax passes, broad sections of the metropolitan area will for the first time see sales tax rates above 8 cents on every dollar, with some shopping and entertainment meccas going higher yet.

Proponents for the light-rail election in Kansas City and bioscience initiative in Johnson County say that the new taxes are needed and that voters will understand it's the price of spurring economic development.

Opponents say that in tough economic times, the area cannot afford higher sales taxes, and if they do pass it will make it harder in future years to get sales tax funding for more deserving projects.

Experts are divided on what's the tipping point when voters say, "No more," and whether the metropolitan area is near that point.

A vocal outcry probably would not ensue until 10 percent, said Michigan State University economics professor Charles Ballard. Kansas City's current rates "are on the high side when compared to a lot of the country, but it is not way out of range," he said.

But others think the metro area's threshold is lower.

"I would say they are getting close," said Diane Yetter, a former Lenexa resident and president of Yetter Consulting Services Inc., a sales tax consulting firm based in Chicago.

Yetter bought an appliance this past spring and knows people who travel to the suburbs of Chicago to avoid paying Chicago's new sales tax rate, which at 10.25 percent is the highest in the country. Nashville and Memphis, Tenn., at 9.25 percent, have the next highest among major cities, experts say.

"There are a number of things you have to look at in trying to figure out where is that tipping point; 8.5 to 9 percent is where you are going to start having more challenges," said Yetter, who is on the board of advisers for the University of Kansas School of Business.

The area does have one positive on its side, Yetter said. Its last new sales tax was two years ago, when Jackson County voters approved a sales tax to overhaul the Truman Sports Complex. In Johnson County, the last new sales tax was imposed in 2002 and was for schools. (That does not include renewals such as the recent public safety sales tax approved in Johnson County.)

However, she said, the Kansas City area has higher property tax and income tax rates than locations such as Chicago and Nashville, which could lower voters' tipping point.

The average sales tax rate in the United States last year was 8.573 percent, said Don Fuga, principal research analyst for Vertex Inc., which provides consulting services and tax-preparation software to businesses.

If the sales tax measures pass, the areas that would climb above 8 percent would include the Platte and Jackson county areas in Kansas City and Lenexa and Leawood in Johnson County.

The number would climb to almost 9 cents in some shopping districts, such as Zona Rosa. And if the light-rail measure passes and you head out for dinner, you are going to pay more than 10 cents on every dollar in most areas of Kansas City proper.

We would not be alone.

Across the country, sales tax rates continue to creep up, and generally voters are accepting of it, said Bill Fox, an economics professor and director of the Center for Business and Economic Research at the University of Tennessee.

"Nobody likes any kind of taxes, but people may find the sales tax less unacceptable," he said. "It's not as visible as the income tax or property tax."

### **Kansas City**

Former Kansas City Councilman Bob Lewellen said taxes in Kansas City are "out of control."

"We are reaching the tip-top critical level," said Lewellen, a leader of a group called Committee for Sensible Transit, which is opposing the November measure that would impose a 3/8-cent sales tax for light rail.

He said the light-rail tax would make it more difficult to get voters to use sales taxes to pay for more worthy projects like a regional jail or overhauling the city's sewer system.

"These other projects will be something that will not be able to happen," he said.

Councilwoman Jan Marcason said that sales tax dollars would not be used for the sewer overhaul and that it was too soon to know whether they were needed for drainage improvements.

Patrick McLarney, co-chairman of the light-rail campaign committee, conceded that passing the light-rail tax could limit the city's sales tax options down the road, but he said light rail would be an economic generator worth the sales tax.

Marcason and Councilman Ed Ford concur and note many out-of-city residents will pay it.

Ford acknowledged the city's tax rate was getting on the high side, but did not think it had reached the tipping point yet.

"Obviously \$4 a gallon gas is a tipping point. I certainly think an overall sales tax rate of 10 percent is a tipping point," he said. "The voters will weigh the increased sales tax versus the spiraling cost of gasoline and believe the 3/8-cent sales tax is a good investment in alternate transportation."

### **Johnson County**

In Johnson County, some are wondering about sales tax election fatigue.

In recent years, the margins of victory have dwindled from slam-dunk double-digit successes to a 3 percent margin in the Aug. 5 public safety election.

Jeffrey Jenkins of Shawnee, a vice president with a direct marketing firm, thinks another tax — this time a 1/8-cent sales tax to pay for an education and research triangle bioscience initiative — is one tax too many.

Leawood Council member James Azeltine opposes the tax.

"When our country is facing the worst financial crisis in decades, it makes little sense to pass two regressive sales taxes to the tune of \$45 million (a year) in the space of three months," said Azeltine, who is running for Johnson County Commission.

"We need to be very mindful of not using up all of our sales taxing capacity at the expense of important county functions like mental health and developmental services, transit and parks."

His opponent, Dave Lindstrom, a Johnson County commissioner, says the initial cost to taxpayers will be more than made up when the tax produces a \$1.4 billion bonanza over the next two decades.

Irene French, a longtime civic leader and former mayor of Merriam, concurred.

"Nobody likes taxes. We don't like to raise them, and we don't like to pay them," French said. "But I see Johnson County saying 'yes' to this 1/8-cent sales tax increase. What if we solve cancer?"

### **Other sales taxes**

The Kansas City and Johnson County sales tax elections are among a number of measures on the November ballot.

For example, North Kansas City voters will consider a half-cent sales tax to build a light-rail line that would join up with Kansas City. Liberty voters will consider adding a quarter-cent sales tax for infrastructure.

Liberty Mayor Bob Steinkamp said the bleak national economic picture makes it a tough time to raise taxes, but he

and North Kansas City Mayor Gene Bruns think they can make the case.

“I felt like we need to get a new (light-rail) tax on the ballot to see if we are approaching the point where voters are saying, ‘No more,’” Bruns said.

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