



For Immediate Release
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Derby Settles Dispute over Sales Tax

Derby, Kansas – Attorneys for the City of Derby and the Kansas Department of Revenue (KDOR) have reached agreement on terms to settle a dispute over how the state has been distributing revenues from the half-cent Derby Difference sales and use tax. This dispute has been going on since 2015.

Today, the parties filed a request in Shawnee County District Court for a Consent Judgment and Final Order to ensure the state begins in December 2018 to remit all revenues collected from the Derby tax to the city instead of remitting a considerable portion of those revenues to Sedgwick County.

“All we have ever sought was to be treated fairly by the state and to restore confidence to citizens who voted for a tax to improve their community,” said Kathy Sexton, Derby City Manager. “More than just a financial matter, this is about Kansans being able to trust their state officials to follow the law as written and as intended by the Kansas Legislature years ago. If this case also paves the way for other cities to receive their fair shares, then I commend the Kansas Department of Revenue for fixing their processes for other affected cities across the state.”

History

In 2013, the 0.5% tax was approved by Derby voters to make park improvements and to supplement operations of the library and fire & rescue department. In late 2015, Derby learned KDOR had implemented an automated system that distributed a portion of Derby’s tax revenues from certain vehicle sales to Sedgwick County.

In 2016, Derby pointed out the error to KDOR, but after receiving no relief turned to the judicial system for interpretation and enforcement of the law. After a Shawnee County District Court judge dismissed Derby’s petition on jurisdictional grounds, Derby appealed the ruling.

In 2017, the cities of Goddard and Haysville joined Derby in an unsuccessful mandamus petition to the Kansas Supreme Court because they too were adversely affected by the flawed tax distribution system. In August 2018, the Kansas Court of Appeals ruled in Derby’s favor and sent the case back to Shawnee County District Court for a ruling on the merits.

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Process

Every time a Derby resident buys a vehicle in Wichita, state and county sales tax is collected at the Wichita dealership. Kansas law requires Derby's local sales tax (use tax) to be collected when the vehicle is later registered to a Derby address. Kansas law also requires all revenue from that tax to be remitted to Derby. Under KDOR's flawed distribution system, two-thirds of that revenue was remitted to Sedgwick County. The error was brought to Derby's attention by a resident who questioned whether Derby was receiving the full benefit of its voter-approved local tax after noting the discrepancy on her vehicle registration receipt.

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