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BOND REFINANCING - KANSAS

Snodgrass v. City of Wichita, Kansas

United States District Court, D. Kansas - November 15, 2018 - Slip Copy - 2018 WL 6019344

The City of Wichita issued general obligation and special obligation bonds under Kansas law to finance certain street, sewer, and water improvements. The City spread special assessments across all of the lots in the improved parcel to pay for the bonds.

Sometime later, the bonds were refinanced and the City has allegedly reaped savings of more than $60 million as of December 2017 due to interest savings. Plaintiff landowners alleged that this resulted in the misappropriation of their tax payments and that the City should have refunded the tax payments by reassessing the special assessments levied against their property. Plaintiffs sought a declaratory judgment that Defendants (City, Law Firm, etc.) had "fraudulently, intentionally and willfully misappropriated the millions of dollars of 'saved' tax payments gained from the refinancing of general obligation and special obligation bonds."

Defendant Law Firm filed a response brief asserting that the District Court has original jurisdiction over this case pursuant to 28 U.S.C. § 1331. Law Firm argued that the Tax Injunction Act (TIA) or the principle of comity is not applicable as the special assessments levied in this action were not taxes or, alternatively, Plaintiffs do not have an adequate remedy under state law.

Plaintiffs moved to remand this action to state court on the basis that it was not ripe for federal review.

The District Court found that the special assessments are taxes under the TIA and that Plaintiffs have an adequate remedy in state court, and therefore this action must be remanded.

"Therefore, because this is an action for a refund of tax payments, and because Plaintiffs have a plain, speedy, and efficient, remedy in Kansas courts, this action must be remanded to state court under the TIA and the principle of comity."

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