



February 15, 2024

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Kansas Action for Children  
Verbal Proponent Testimony for HB 2636  
House Committee on Taxation

Chairman Smith and members of the Committee:

Thank you for the opportunity to provide proponent testimony in support of HB 2636, which would again include renters as eligible for the homestead property tax credit.

Kansas Action for Children is a nonprofit advocacy organization working to make Kansas a place where every child has the opportunity to grow up healthy and thrive. We work across the political spectrum to improve the lives of Kansas children through bipartisan advocacy, partnership, and information-sharing on key issues, including early learning and education, health, and economic security for families.

The Legislature's focus on property tax credits and circuit breakers has been primarily targeted to senior citizens who are often described as living on fixed incomes and experiencing a more difficult burden with rising property taxes. Those are important considerations for a demographic of taxpayers that is struggling with rising costs. But what is important about HB 2636 is the recognition that home ownership is beyond reach for many people in Kansas. Senior citizens are one example, but just as often if not more so, young parents starting off in life and raising their families experience the struggle of ever-increasing rental costs.

Every Kansas child deserves a safe and stable roof over their head. Children are most vulnerable to the adverse effects of housing insecurity and the widespread disruption it causes.<sup>1</sup> Unfortunately, for many working Kansas families with young children, it is a struggle to secure affordable housing to plant roots in the community they work in and raise their family, even with full-time employment.

### **History and Eligibility of the Homestead Property Tax Refund**

Kansas became the sixth state to enact a property tax circuit breaker when the Legislature passed the Homestead Property Tax Refund Act in 1970.<sup>2</sup> A circuit breaker is activated when a property tax bill rises above a certain amount of household income, so only those who need it most will receive this form of tax relief. **Renters were eligible for this credit until tax year 2013, after the 2012 Legislature passed HB 2117 and had included their removal from the program as part of a broader effort to offset the costs of an income tax relief package.** Since then, the state has regained stable financial footing and reversed several other offsets from that original 2012 measure, but not having restored renters to the Homestead program has remained an oversight that we finally now can correct.

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<sup>1</sup> Maqbool, Nabihah; Viveiros, Janet, and Ault, Mindy (April 2015). *The Impacts of Affordable Housing on Health*. Center for Housing Policy. <https://nhc.org/wp-content/uploads/2017/03/The-Impact>

<sup>2</sup> Penner, Edward and Dear, Dylan (2021). Briefing Book 2021: Homestead Program. Kansas Legislative Research Department.

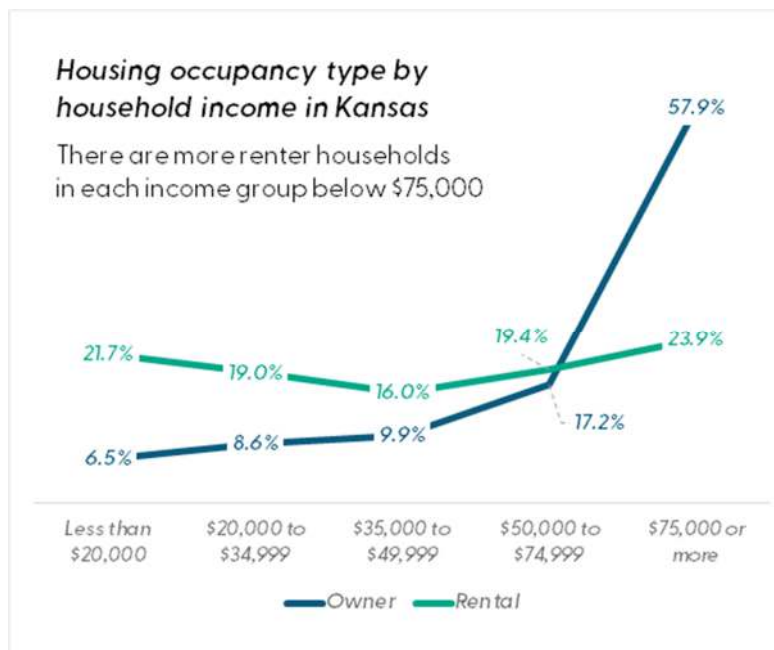
A little-known criterion for eligibility for the Homestead Property Tax Credit is that a person is eligible if they have a child under the age of 18, while also meeting income guidelines. Often, this credit is only thought of as for senior citizens. Yet, one does not need to be above age 55 to claim the credit if they meet other criteria.

The Homestead Property Tax Credit is available to households with an income at or below \$40,500 if the filer was born before January 1, 1967, is blind or totally and permanently disabled (regardless of age), **or has a dependent child under the age of 18**. The maximum refund is \$700 each year.

Functionally, the credit considers 15% of the rent paid for occupancy as the amount allocated as property tax for the refund calculation. This was how the program worked before renters were removed in 2012. HB 2636 restores the same methodology for determining the allocable portion of rent as property tax paid.

### Cost Burden of Housing on Renters

Housing is generally considered “affordable” if the cost burden or percent of household income spent is less than 30 percent.<sup>3</sup> On top of rising costs of other necessities like food, utilities, and child care, many households (particularly those with low incomes) are the most cost-burdened as housing costs in Kansas and the Midwest continue to climb and wages continue to stagnate. In Kansas, renters are more prevalent among households with lower incomes. In fact, homeowners are only more prevalent for those with a household income above \$75,000.<sup>4</sup>



Data represents 2022 inflation-adjusted dollars

<sup>3</sup> U.S. Department of Housing and Urban Development. (December 2023). *Barriers to Affordable Housing*. [https://www.hud.gov/program\\_offices/comm\\_planning/affordable\\_housing\\_barriers](https://www.hud.gov/program_offices/comm_planning/affordable_housing_barriers)

<sup>4</sup> U.S. Census Bureau. 2022 American Community Survey. *S2503 Financial Characteristics*.

There is no county in Kansas where a renter working full-time at minimum wage can afford a two-bedroom apartment. A renter would need to work 83 hours a week at the current \$7.25 minimum wage or make at least \$18.71 an hour to achieve that in Kansas.<sup>5</sup>

Part of the cost of housing for both homeowners and renters is property tax. For homeowners, it is a familiar and easily identifiable tax. But for renters, landlords factor property tax into the cost of rent. Because lower-income households are more likely to rent than own, property tax ends up having a regressive effect on renters because lower-income households pay a higher share of their income in taxes than higher-income households.

## **The Effect of the Refund on Renters**

**To address and correct the disproportionate impact that property taxes have on low-income households, the state's tax policy must include provisions to provide relief to those most impacted by the economic landscape.**

In the fiscal note for SB 91 in the 2019 legislative session<sup>6</sup>, which provided for adding renters back to this program, the Kansas Department of Revenue estimated that 24,100 eligible taxpayers would have claimed approximately \$7.3 million in additional refunds in tax year 2019, with an average refund claim of \$301.

While there is not a fiscal note yet available on HB 2636 at the time of preparing this testimony, preliminary estimates from the Institute on Taxation and Economic Policy of adding renters back to the program would cost the state \$9.6 million each year. Every dollar of that investment from the state would help families with household incomes of less than \$40,500 (which is indexed for inflation every year).

If the Legislature's objective is to relieve property taxes for Kansans trying to find their economic footing amid the rising cost of living, a circuit breaker like the one in HB 2636 can provide more meaningful relief at a smaller cost by targeting relief dollars to those who need it most.

Thank you for your consideration of this bill, as it would provide a meaningful impact to working parents across the state. We ask you to favorably move this bill out of your committee this year and advocate for the policy to cross the finish line during the 2024 legislative session.

If I can be of further assistance, please contact me at [adrienne@kac.org](mailto:adrienne@kac.org).

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<sup>5</sup> National Low Income Housing Coalition. Kansas Data accessed February 2024. <https://nlihc.org/oor/state/ks>

<sup>6</sup> Kansas Division of the Budget. (March 21, 2019). Revised Fiscal Note for SB 91.

[https://kslegislature.org/li\\_2020/b2019\\_20/measures/documents/fisc\\_note\\_sb91\\_00\\_0000.pdf](https://kslegislature.org/li_2020/b2019_20/measures/documents/fisc_note_sb91_00_0000.pdf)