



STATEMENT OF THE KANSAS COUNCIL FOR
AFFORDABLE AND RURAL HOUSING
TO THE HOUSE TAXATION COMMITTEE
REGARDING H.B. 2763

MARCH 16, 2012

Chairman Carlson and Members of the Committee, I am Chris Wilson, President of the Kansas Council for Affordable and Rural Housing (KCARH). We appreciate the opportunity to provide this statement regarding H.B. 2763. KCARH has been formed to serve as the Kansas state affiliate organization of the Council for Affordable and Rural Housing (CARH).

CARH is a national non-profit trade organization. For 30 years, CARH has served as the nation's premier association for participants in the affordable rural housing profession, including builders, owners, developers, managers, non-profits, housing authorities, syndicators, accountants, architects, attorneys, bankers, and companies that supply goods and services to the industry.

In Kansas, there is a significant need for rural housing. It is an issue that arises in many discussions and areas of the state. For economic development to occur in rural areas, affordable rural housing is unquestionably a priority. The purpose of KCARH is to help foster and develop public-private partnerships and strategies to meet housing needs for future growth in rural Kansas.

Affordable housing is essential to families and to economic growth throughout the state. KCARH's mission also includes informing and working with policymakers at all levels regarding the importance of keeping housing affordable through good policy. As a result, we respectfully submit this statement in opposition to S.B. 376, which would remove the sales tax exemptions for labor costs in the building of homes. Under the exemptions, sales tax is paid on the cost of the materials in the home but not on the labor. Labor costs generally represent about 40% of the cost of a home.

So, for instance, for an average entry-level home costing \$95,000, the sales tax on labor at 6.3% would amount to an additional \$2394. On a home costing \$65,000, the sales tax on labor would amount to an additional \$1,638. That may not sound like a huge amount to add on to a \$95,000 or \$65,000 purchase or to add to a 30-year mortgage. But the truth is that it would mean that many Kansas families would not be

able to purchase that home. A recent economic study conducted by economist Dr. Elliot Eisenberg showed that, based on Kansas data, for every \$1000 increase in the cost of a home, thousands of Kansas families are priced out of being able to purchase the home. Dr. Eisenberg's study showed that for every \$1000 increase in price, 3,667 Kansas families would be priced out from purchasing a home. (Full copies of the study and data are available.)

In rural areas, often the only available housing stock needs refurbishing but may be made usable for families coming into the community. Accordingly, KCARH strongly supports retaining the current sales tax exemptions for labor costs in the construction, repair or remodel of a home. Manufactured homes are also excellent options for affordable and rural housing. Exemptions providing for amounts equivalent to the labor costs in the home are included in K.S.A. 79-3603 sections (p), (bb), and (ff). Under H.B. 2763, both labor and materials used in the construction and remodeling of homes would be subject to sales tax. We encourage you to retain the sales tax on labor exemptions currently in law and protect the ability of thousands of Kansas families to own homes.

Thank you for the opportunity to provide this information concerning S.B. 376.