



TESTIMONY IN OPPOSITION OF HB 2285 – Defining “commercial and industrial machinery and equipment.”

To: Honorable Chairman Richard Carlson
Members of the House Standing Committee on Taxation

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Honorable Chairman and members of the House Standing Committee on Taxation, the City of Lenexa urges your consideration in delaying action on HB 2285. At the time this testimony was written and required to be submitted to the Taxation Committee, the contents of the Legislative Post Audit report were sealed and unavailable to the general public, including municipalities. To enact legislation without the opportunity for municipalities to understand the impact on our taxing base is very concerning. In addition, HB 2285 does not have a fiscal note accompanying the legislation, and we would encourage legislators to consider the impact of this legislation not only to local municipal budgets, but to the State’s budget.

Last week during deliberation on the HB 2136 (diverting the 4/10 of a cent sales tax from the State Highway Fund to the State General Fund) the Taxation Committee discussed the importance of balancing the State’s budget. The Taxation Committee asked KDOT to consider alternatives to funding the T-WORKS program, or delaying certain projects in an effort to balance the State’s budget. During discussions surrounding HB 2047 (requiring municipalities to vote to approve and publish the same, any increase in revenues from an increase in assessed valuations) the Taxation Committee heard from the Realtors Association concerns about increasing real estate property taxes and the shift of property tax burden to residential property. Legislation such as HB 2285 will remove even more property from the taxing base and will leave a “hole” in State and municipal budgets. At the time this testimony was written, the only estimate available to us was from the Appraisers Association who estimates the state-wide impact of HB 2285 could be 3-5% of the total State assessed

valuation. A 3-5% loss in assessed valuation at the State level will not only impact the State negatively, but it will negatively impact municipalities, many of which do not have an estimate of the fiscal impact at this time. Municipalities will then be forced to decide if they are going to reduce service levels or increase their property taxes to make up this difference. Municipalities will be villainized if they levy additional taxes to make up for this loss. Subsequently, residential property owners will be left to pick up the shift in property tax burden through actions not caused by the municipality in which they live but by actions of the State Legislature.

The City of Lenexa supports the Legislature and appreciates the difficult decisions legislators make when prioritizing service levels against expenditures and revenues. We at the local level are required to do the same thing. We urge you to oppose HB 2285 as it shifts the property tax burden to residential real estate and negatively impacts State and local budgets.