



Since 1894

To: House Committee on Taxation
Rep. Steven Johnson, Chair

From: Aaron M. Popelka, V.P. of Legal and Governmental Affairs, Kansas Livestock Association

Re: **HB 2345, AN ACT concerning property taxation; relating to cities and counties; approval of budgets and exception from election requirement for prior years' budget calculation.**

Date: March 6, 2019

The Kansas Livestock Association (KLA), formed in 1894, is a trade association representing nearly 5,600 members on legislative and regulatory issues. KLA members are involved in many aspects of the livestock industry, including seed stock, cow-calf, and stocker cattle production; cattle feeding; dairy production; swine production; grazing land management; and diversified farming operations.

Thank you, Chairman Johnson and members of the Committee for the opportunity to present KLA's views on HB 2345. KLA opposes HB 2345, which would grant an exemption from the property tax lid for local units of government and allow such governing bodies to immediately return to the highest funding level budgeted in the last seven years, plus inflation, without a vote of the electorate. KLA Policy Resolution #1 states, in part: "The Kansas Livestock Association supports local government funding through the use of sales and/or income tax rather than property taxes." In addition, the KLA Board of Directors has previously voted to oppose attempts to repeal the property tax lid.

Proponents of HB 2345 seem to claim this bill would encourage local units of government to cut taxes. We would ask the proponents to present statistically significant data showing that prior to enactment of the property tax lid, local units of government reduced budget authority. It is unlikely any statistically significant trend can be shown because budgets were rarely reduced. It is more likely that local units of government would use HB 2345 to game the system. For instance, if a governing body gains voter approval for a short-term construction project over a brief number of years without bonding, when the project is completed, a new high-water budget mark will be established. The exemption in HB 2345 would allow the governing body to backfill the extra budget authority gained by the project's completion to pay for items like additional administrative costs without seeking voter approval.

Agriculture, unlike other businesses, is entirely dependent on its largest asset category, land. Farmers and ranchers are just now receiving their property valuation estimates for 2019 that will inform them of the ninth straight year of valuation increases for agricultural land. From 2010 until 2016, the most recent years for which the Kansas Department of Revenue, Property

Valuation Division has publicly published data, agricultural land valuations increased 95 percent. During those same years, property tax liability for agricultural land (rural mill levy multiplied by assessed value) increased approximately 112 percent. These statistics, taken prior to the property tax lid becoming effective, demonstrate that despite increase in valuations, rural mill levies continued to increase. This makes the case that the property tax lid is necessary and should not be weakened.

Finally, it should be noted that agriculture is in the midst of difficult economic times. In November, USDA projected inflation-adjusted net farm income would decline fourteen percent from 2017 to 2018, to its lowest point in real dollars since 2002. Higher property taxes only add to this burden. Unlike an income tax, a property tax is levied on an agricultural operation regardless of net income. As Kansas agriculture enters another year of projected declines in net farm income, any property tax increase adds to those losses.

Thank you for the opportunity to submit KLA's views to the Committee. KLA asks the Committee to reject HB 2345 or any other attempt to substantively weaken the property tax lid.