



House Committee on Taxation

Testimony in Support of Senate Bill 13

Presented by Eric Stafford, Vice President of Government Affairs

Wednesday, January 20, 2021

Mister Chairman and members of the committee, my name is Eric Stafford, Vice President of Government Affairs for the Kansas Chamber. The Kansas Chamber represents small, medium and large businesses of all industry segments across the state. The Kansas Chamber appreciates the opportunity to testify in today regarding the need for property tax reform in our state, specifically in support of Senate Bill 13.

We stand before this committee today after the 2020 session abruptly adjourned with the outbreak of the COVID-19 pandemic asking that you consider adopting SB 13- a bill that passed the Senate last year by a vote of 39-0. Last session, we testified in support of nine property tax reform bills, all providing positive changes to the property tax system in our state. The primary policy change was Senate Bill 294- known as the Truth in Taxation law based on Utah’s property tax system.

For the last 17 years, the Kansas Chamber has conducted its CEO poll which surveys 300 business owners from across the state. Businesses are selected randomly from Dunn & Bradstreet with selection representative of the state of Kansas, including, geographical representation, industrial makeup, and the size of the employer. Some might be members of ours. Some are not. The survey is blind in this regard.

Each year we ask whether the sales tax, income tax and property taxes should increase, decrease or remain the same. This year’s survey results, as in years past, were telling.

	Income Tax	Sales Tax	Property Tax
<i>Increase</i>	8%	9%	1%
<i>Decrease</i>	41%	34%	60%
<i>Stay the Same</i>	50%	55%	36%

As you can see, there is a very strong sentiment in the business community to lower the property tax burden, especially considering commercial property is appraised at 25% valuation compared to 11.5% for residential property. Last year, 70% of respondents suggested lowering property taxes. Property taxes have been the most frustrating tax for businesses in recent years as rising valuations and no offset in the mill rate place more pressure on businesses to afford their tax burden.

For too long, Kansas taxpayers have been subject to non-transparent property tax increases. Local governments have been allowed to automatically collect additional property tax revenue from valuation increases, and rarely have taxpayers seen an offset in the mill rate to keep their tax burden flat.

The adoption of a Truth in Taxation model would end that practice by requiring a reduction in the mill rate to offset any increase in property tax revenue unless public notice is provided to taxpayers and a vote of the governing body is taken. No new property tax revenue can be collected unless the governing body goes through the truth in taxation hearing process as prescribed in the bill.

In December of 2019, the Tax Foundation released its tax modernization report for Kansas' tax code, a comprehensive report commissioned by the Kansas Chamber to review the state's entire tax code. Included in their report was a suggestion to consider Truth in Taxation laws since parties on both sides had issues with the public vote requirement (tax lid).

Coincidentally, as Senator Tyson worked through a deep dive on property tax reform throughout the summer and fall of 2019, we found out that Truth in Taxation legislation was something she had found as a possible option for the state. We appreciate her work, and for bringing SB 294 up for consideration last session. Unfortunately, Governor Kelly chose to veto HB 2702, the conference committee report that included the truth in taxation law (HB 2702 CCR passed by wide margins (35-2; 89-28)).

Utah passed its Truth in Taxation law more than 30 years ago as taxpayers were upset with a rising property tax burden caused by increases in valuation. From the outside when reviewing websites of local government in Utah, they clearly and efficiently share information about the Truth in Taxation requirements and process. Local governments in Utah appear to have embraced the change and have been able to accept the notification requirements of the law, and work *with* taxpayers, rather than against them.

We've also heard about how many local government units Kansas has compared to Utah and due to our high number of governmental entities, SB 294 would be difficult to implement. According to governing.com, here is how our two states compare:

	Total Local Governmental Units	General Purpose	Special Districts
Utah	619	279	340
Kansas	3,792	1,993	1,799

Kansas ranks 5th in the nation for the most local governmental units, but it's not an excuse as to why SB 13 can't work. We would argue it makes a stronger case for the need for SB 13. If all these taxing entities feel the need to raise property taxes over the previous year, simply notify the taxpayers and take a vote through a transparent process allowing for public input. It is not right that so many non-elected governing bodies have authority to raise property taxes with minimal public input or knowledge.

Last year, the Senate Tax Committee significantly amended the bill to satisfy concerns of opponents to the bill. The biggest amendment in our view was one offered by Senator Tyson to repeal the public vote requirement on property taxes (the "tax lid"). As Senator Tyson stated then, this is a good faith effort to work with opponents of the bill.

In closing, this law has proven effective for more than 30 years in Utah. We believe the accountability provided to taxpayers through this legislation offers the much-needed transparency to property taxes we were hoping to achieve through the tax lid. We appreciate the opportunity to testify in support of Senate Bill 13, and I am happy to answer any questions at the appropriate time.

