

City Hall
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Overland Park, Kansas 66212
www.opkansas.org

Date: February 23, 2021
To: Chairman Smith and the House Committee on Taxation
From: City of Overland Park
Re: Written Testimony on HB 2272 – Neutral with concerns

Thank you for allowing the City of Overland Park to submit testimony on HB 2272. Current law permits a couple of limited exceptions to the rule that property taxes paid under protest be distributed to their appropriate jurisdictions. This legislation would expand that limited exception to the majority of properties in the state, creating issues for local governments trying to budget for the needs of their communities.

The current exception allows oil, gas, and personal property taxes paid under protest to be withheld until final appeal. This law was adopted as a floor amendment in 2004 and therefore never received public input; it was eventually signed into law. Although we think the practice of withholding taxes paid under protest is generally not good public policy, the small scope of the current exception limits the impact on annual municipal budgets.

For example, in Johnson County Personal Property accounts for only 0.06% of the County's total assessed valuation, and Oil and Gas accounts for only 0.01%. In comparison, Residential property accounts for over 66% of the County's total valuation, and Commercial property accounts for 30% of the County's total valuation. Cities rely on assessed valuation estimates to budget for public services, and expanding the scope of the distribution withholding exception to 96% of the increase in appraised value of the County's property, could make budgeting decisions much more difficult. We fully understand that it is unlikely that all residential and commercial properties would protest in any given fiscal year, and appreciate the exceptions that limit the legislation's impact (e.g. \$500 increase for residential and 115% of building permit). However, even if 10% of all of those properties protested and qualified for escrow, it could create a significant impact in the City's annual operating budget until those protests were resolved.

In addition, allowing the largest portion of property taxes paid under protest to be withheld until the appeal is final means local jurisdictions may not see significant revenue for years after they are due. Property taxes paid under protest, are first reviewed by the county appraiser, then can be appealed to the State Board of Tax Appeals, and then finally appealed to the courts. The result is that cities could potentially wait years for tax revenues they may be legally and fairly entitled to.

Thank you for allowing the City to testify on this legislation. We respectfully request that the Committee take these issues into account when considering HB 2272.