

Date: March 23, 2021
To: Chairman Adam Smith, House Taxation Committee
From: Trey Cocking, Deputy Director
Re: Testimony in opposition to HB 2445

Chairman Adam Smith and Committee Members, thank you for the opportunity to offer testimony in opposition to HB 2445 on behalf of the League of Kansas Municipalities' member cities.

Over the last few years there have been attempts to curb the use of property tax exemption with the recognition that the use of property tax exemptions, in general, result in a higher tax rates for all other property owners. HB 2445, would give a tax break to a for-profit institution, and in return it will increase the taxes of those that can least afford them. Considering the passage of SB 13, if a taxing entity chose to maintain a Tax Neutral Rate it would force higher taxes on to residential property owners.

Government operations and not-for-profit organizations are not taxed since they are providing public goods and programming which anyone can access. Absence of a profit motive allows them to focus on providing affordable programming and the ability to serve disadvantage communities. Similarly, tax exemptions are authorized to encourage a public benefit. For instance, non-profit community health and wellness facilities frequently provide the benefits in the form of other programming which is lacking in the community, such as afterschool programs.

Property taxes have been levied on properties for much longer than for-profit exercise facilities have existed. YMCAs, YWCAs, and other similar entities have been in many Kansas communities for more than 100 years. The legislation before this committee seems driven by a desire to change the ground rules of the industry into which they freely entered.

In addition, HB 2445 represents a narrowing of the property tax base. Our position from our *Statement of Municipal Policy* is: given the current and future budget challenges facing state and local governments, we oppose the continued erosion of the state and local property tax base by the passage of new exemptions.

On behalf of the cities of Kansas, we thank you for the opportunity to appear before the committee today. We do not believe that this bill should be sent to the entire House for its consideration.