



Testimony of the Kansas Association of Counties
To the House Committee on Taxation
Support for HB 2167 (Interest Rates for Delinquent Property Taxes)

February 9, 2015

Mr. Chairman and Members of the Committee:

During last year's comprehensive change to the Board of Tax Appeals, there was a policy change that received limited attention at the time. The bill, House Substitute for SB 231, lowered the penalty rate for individuals who fail to pay their property taxes. The law now uses the penalty rate found in K.S.A. 79-2968.¹

Subsequently, the law now lowers the penalty rate for failing to pay taxes compared to previous years. This creates a collections issue and makes it more difficult to collect the taxes that individuals owe. A 1988 study of counties in Indiana made the same determination that low penalty rates relative to interest rates indeed harm the rate of collection.² The article highlights that when the penalty rate is low, taxpayers delay payments as a source of cheap credit. This is now what our counties are experiencing, and HB 2167 would help address the concern.

The policy proposal in HB 2167 adds five percentage points to properties where citizens fail to pay their taxes in a timely manner. This incentivizes responsible payment in a timely manner, which is particularly important in a time of limited revenue. The current penalty rate is low and poorly suited to actually serve as a penalty. KAC encourages this committee to address the low rate and increase the penalty to an amount that will encourage prompt payment of taxes. Thank you for your consideration, and please vote in favor of HB 2167.

Respectfully,

Nathan Eberline
Legal Counsel

¹ K.S.A. 79-2968 (referencing 26 U.S. Code § 6621, which prescribes the Federal short-term rate determined under subsection plus 3 percentage points).

² Larry DeBoer & James Conrad, Do High Interest Rates Encourage Property Tax Delinquency?, NATIONAL TAX JOURNAL, Vol. 41, No. 4 (1988) (analyzing 12 large Indiana Counties from 1969–1986).