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To: House Taxation Committee

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Subject: **HB 2409** – Opposing Increases in the Property Tax Burden on Kansas Families through the Repeal of the \$20,000 Property Tax Exemption on Residential Properties

Chairman Kleeb and members of the House Taxation Committee, thank you for the opportunity to provide written testimony today on behalf of the Kansas Association of REALTORS® in opposition to **HB 2409**, which would increase the property tax burden on Kansas families by roughly \$45 million each year through the repeal of the \$20,000 property tax exemption on residential properties found in K.S.A. 79-201x. Through the comments provided in our testimony, we hope to provide some additional legal and public policy context on this issue.

KAR is the state's largest professional trade association, representing nearly 8,000 members involved in both residential and commercial real estate and advocating on behalf of the state's 700,000 property owners for over 95 years. REALTORS® serve an important role in the state's economy and are dedicated to working with our elected officials to create better communities by supporting economic development, a high quality of life and providing affordable housing opportunities while protecting the rights of private property owners.

#### Does Kansas have a property tax problem?

Over the last 16 years, the property tax burden imposed on Kansas property owners by local governments has increased exponentially. From 1997 to 2013, the total amount of property tax revenues collected by Kansas counties increased from \$547.6 million in 1997 to \$1.2 billion in 2013, which is a total increase of 116.9% over this time period. On average, Kansas counties have increased the property tax burden by 7.3% each year.

Similarly, the total amount of property tax revenues collected by first class cities increased from \$226.8 million in 1997 to \$447.6 million in 2013, which is a total increase of 97.4% over this time period. On average, Kansas first class cities have increased the property tax burden by 6.1% each year. No reasonable individual could look at this data and conclude that the property tax burden was not skyrocketing on Kansas families, farmers and small businesses.

At the same time, inflation increased by an average of 2.4% and the Kansas statewide population grew by just 0.6% each year over the same time period. As a result, the property tax burden is currently growing at a rate that is nearly double the rate of inflation plus population growth. Your constituents cannot continue to shoulder a property tax burden that vastly outweighs the growth of the Kansas economy, wages, inflation and the statewide population.

If the Kansas Legislature does nothing to address this growing problem, then the total property tax burden on Kansas families, farmers and small businesses will most likely double again over the next decade. Can your constituents withstand another 100% to 120% increase in their property tax burden over the next decade?

Unfortunately, REALTORS® believe that this dramatic growth in the property tax burden stifles the economic prosperity of many Kansas farmers, self-employed professionals and small businesses that have seen a consistent and drastic increase in the amount of their income that is devoted to paying their property tax assessments. Regardless of whether the underlying business made a profit or not in a given year, every farmer or small business owner is required to pay an ever-increasing amount of property taxes each year to subsidize local government spending.

The ever-increasing property tax burden increases business input costs just like any other tax and decreases the amount of capital that can be poured back into the business by hiring new employees or investing in new business capacity. If Kansas wishes to continue on the path of becoming a low tax burden state for families, farmers and small businesses, then something must be done to address our exponentially increasing property tax burden.

According to a detailed analysis by the Tax Foundation, Kansas currently has one of the most burdensome property tax systems for businesses with a ranking of 41<sup>st</sup> in 2012. In addition, the Tax Foundation recently ranked Kansas as 47<sup>th</sup> overall in terms of the most favorable tax climate for mature business operations and 48<sup>th</sup> overall for newly-established business operations. In doing so, the report stated that Kansas has one of the highest (if not the highest) property tax burdens on business operations across nearly all 14 categories of business operations.

Furthermore, we believe that this increasing property tax burden makes it more difficult for Kansas families to make ends meet and is severely burdensome for many senior citizens and low-income Kansans living on fixed incomes. Over the last few years, we have heard many anecdotal stories of Kansans literally being forced out of their homes due to their inability to keep up with the drastic increases in their property tax burdens.

#### How would **HB 2409** affect the current property tax problem?

Unfortunately, the provisions of **HB 2409** will only worsen our existing property tax problem. If passed by the Kansas Legislature, it is estimated that the property tax increase allowed under this legislation would increase the property tax burden on Kansas property owners by roughly \$45 million each year (or \$46 a year on the average home owner).

Now is not the time to pass legislation that increases the property tax burden on Kansas families that already pay one of the highest property tax burdens in the nation. If anything, the Kansas Legislature needs to continue to study reforms that will actually reduce or slow the growth of the property tax burden for Kansas property owners.

#### Conclusion

In closing, we would respectfully request that the members of the House Taxation Committee oppose the provisions of **HB 2409**, which would increase the property tax burden on Kansas property owners by roughly \$45 million each year. Thank you for the opportunity to provide comments on this very important issue for Kansas families and home owners.