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To: Senate Taxation Committee

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Subject: **SB 261** – Opposing Increases in the Tax Burden on Kansas Families and Home Owners by Imposing Sales Taxes on Residential Utilities

Chairman Donovan and members of the Senate Taxation Committee, thank you for the opportunity to provide written testimony today on behalf of the Kansas Association of REALTORS® in opposition to **SB 261**, which would increase the tax burden on Kansas families and home owners by imposing sales taxes on residential utilities. 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.

Eliminating the Sales Tax Exemption for Residential Utilities Will Increase Your Constituents' Utility Bills by 8.15%

Although some commentators would argue that the provisions of **SB 261** would simply eliminate or streamline a sales tax exemption, **SB 261** would be fairly and properly characterized as a sales tax increase on Kansas families and home owners. Although we have not seen a fiscal note on the bill at this time, we believe that the passage of **SB 261** would represent a roughly \$145 million annual sales tax increase on Kansas families and home owners.

Under current law, your constituents do not pay sales taxes on their residential utility bills. According to the Tax Foundation, the average combined state and local sales tax rate in the state of Kansas is currently 8.15%. As a result, the passage of **SB 261** will increase the monthly utility costs of your constituents by an average of 8.15%.

For the last 36 years, Kansas families and home owners have received substantial tax relief due to the fact that they have not been forced to pay sales taxes on their residential utility bills. At various times over the last 36 years, the state has weathered similar budget situations without reversing this long-standing policy and subjecting Kansas families and home owners to an 8.15% increase on their residential utility bills.

While we certainly understand that the state is faced with a precarious budget situation over the next few years, we do not believe that an increase of 8.15% on the utility bills of your constituents is the least painful or most politically palatable solution to the state's budget problems. Until the Kansas Legislature passes a budget for FY 2016 and FY 2017, it is premature at this time to discuss any proposals that would increase the tax burden on Kansas families and home owners.

Conclusion

In closing, we would respectfully request that the members of the Senate Taxation Committee oppose the provisions of **SB 261**, which would increase the tax burden on Kansas families and home owners by roughly \$145 million each year by imposing sales taxes on the residential utility bills of your constituents. Thank you for the opportunity to provide comments on this very important issue for Kansas families and home owners.