Senate Committee on Assessment and Taxation
In Support of Senate Bill 316
Presented by Eric Stafford, Vice President of Government Affairs, Kansas Chamber of Commerce
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Mister Chairman and members of the committee, my name is Eric Stafford, Vice President of Government Affairs for the Kansas Chamber. On behalf of the Kansas Chamber and NFIB, we appreciate the opportunity to testify in support of Senate Bill 316.

As part of the final tax plan last year, the legislature passed a provision prohibiting cities and counties from increasing property tax revenues over the previous year in excess the rate of inflation. In order to keep this piece as part of the final tax plan, numerous exemptions to increases in the amount of property taxes collected were added to the bill. The effective date was also pushed back to 2018. Senate Bill 316 seeks to move the effective date to 2016 and proposes to eliminate what our organizations believe to be are unnecessary exemptions.

In the Chamber's 2015 Business Leader's Poll of 300 randomly selected businesses from across the state, 85% supported a vote of the people if property taxes are to increase more than inflation. When asked whether the public vote requirement should start today instead of 2018 as passed by the legislature, 72% expressed support making this law effective immediately, while only 8% supported holding off until 2018. 87% of respondents to this poll employ 10 or fewer people. It's clear the business community, especially small businesses who operate on narrow margins, welcomes the opportunity to have a voice on excessive increases to their property taxes.

Contrary to what some are calling this policy change, this in no way should be considered a "lid" or "cap" on the amount of revenue brought in by local units of government. This policy change however, offers the public the chance to vote on increases to property taxes when those proposed increases exceed inflation. This type of policy is not new to our state as Kansas had a public vote requirement on property taxes until 1999.

Property tax revenue collected by local governments in our state more than doubled from 1997 to 2014, going from $774 million to $1.7 billion during that time, far exceeding rates of inflation and population growth. This growth is excessive and unsustainable.

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The Kansas Chamber is the leading statewide pro-business advocacy group moving Kansas towards becoming the best state in America to do business. The Chamber represents small, medium and large employers all across Kansas. The NFIB is the state's leading small business advocacy organization representing the consensus views of over 4,200 small business owners across Kansas.

According to a study conducted in 2014 by the Lincoln Institute of Land Policy, Kansas currently has the absolute worst effective tax rate in the entire nation on rural commercial properties. This study used the City of Iola as the test subject for the study in Kansas. Notably, the City of Iola was chosen for the study because it is a county seat and is an average sized rural city with an average property tax rate for the state.

The study found that a commercial property in the City of Iola would pay an effective tax rate of 4.26%, which is more than double the national average effective tax rate of 1.7%. This means that a commercial property owner in rural Kansas most likely pays property taxes that are more than double that of an average commercial property owner elsewhere in the nation.

For comparison purposes, our neighboring states of Nebraska (12th – 2.13%), Colorado (14th – 2.07%), Missouri (15th – 2.06%) and Oklahoma (43rd – 0.92%) all obviously rank better than Kansas on this study. The effective tax rate on rural commercial property in Kansas is anywhere from 100% and 361% higher than the effective tax rate in Nebraska and Oklahoma, respectively.

Just this past Saturday a record number of voters flooded their local community centers, churches and schools to have their voice heard on who their respective party's nominee for President should be. We trust the voters to elect their leaders. Shouldn't we trust them to decide whether an increase in property taxes which exceeds inflation is necessary? Thank you for the opportunity to testify in support of Senate Bill 316. I am happy to answer questions at the appropriate time.