



City of Tonganoxie

February 12, 2016

The Honorable Les Donovan, Sr., Chair
Senate Standing Committee on Assessment and Taxation
Statehouse, Room 123-E
300 W. 10th Street
Topeka, Kansas 66601

RE: Senate Bill 316

Dear Senator Donovan and Members of the Committee:

In the deliberations of the Committee for whether to advance the effective date of the property tax limit from January 1, 2018, to January 1, 2017, we ask that members of the Committee oppose Senate Bill 316. While much uncertainty remains about how to implement the original law, advancing the effective date would greatly accelerate that uncertainty and impose an undue burden on counties and cities to prepare for the law's required changes. Please consider the following challenges.

The taxing limit works directly against economic development. The legislation does not adjust for the tax levy rate but rather per the total assessed valuation. If any city or county were to have a new business open within its boundaries, the value of such business would factor into the total valuation of the jurisdiction. Normally, cities would enjoy such growth to their economies. However, after the first year, this law will require the benefitting city to reduce its tax levy by the amount that the valuation increase exceeded the prior-year consumer price index of urban consumers of the entire country. The city, therefore, would likely not benefit from the economic improvement of a growing corporate tax payer after the first year. Moreover, while raising the demand on municipal services, a business that received a very standard reduction in property taxes (e.g. Neighborhood Revitalization) as an incentive to open in the city would cause the actual tax collections to be a net loss to the community. Lost tax revenue, in turn, could force a reduction in public services. Thus, SB 316 and the law it amends will cause a tremendous disincentive for every city and county in the state of Kansas to attract new business.

For example, the City of Tonganoxie has strategically prepared certain properties within its borders to attract large corporations. Likewise, the Leavenworth County Port Authority has acted in partnership with additional resources to make the attraction more compelling. The City of Tonganoxie already has carefully invested over \$2.7 million, which is equal to the amount of its general operating budget. Locals have assumed a large risk for the hope of improving the economic possibilities of the community. **The tax limit of SB 316, in a few words of legislation, removes this hope and makes the offer by the municipality of any incentive practically unaffordable.** In fact, if the City of Tonganoxie were to be forced to reduce its tax levy because of attracting new business, the municipality would risk layoffs and defer basic maintenance of buildings and streets. The budget is simply too small to suffer such a reduction.



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In addition, SB 316 unreasonably limits the option of taking an initiative to the voters such that is practically not possible. Cities learn of a need for ad valorem adjustment July 1 each year and must publish the final decision by August 5 leaving virtually no time to hold a special ballot election. Moreover, SB 316 does not contemplate factors that are out of the control of cities and counties. City elected officials may be put into a crisis decision to provide additional funding for natural disaster recovery, sudden loss of local industry, unfunded federal and state mandates, and law enforcement catastrophe.

Advancing the effective date through SB 316 will increase the costs of normal basic public services and will work against attracting new business to Kansas. Please do not support it.

Sincerely,

Nathan D. McCommon
City Manager

cc: Mayor Jason K. Ward
Members of the City Council