Approved: January 30, 2007
Date

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:45 A.M. on January 25, 2007 in Room 519-S of the Capitol.

All members were present except:
Derek Schmidt- excused

Committee staff present:
Chris Courtwright, Kansas Legislative Research Department
Martha Dorsey, Kansas Legislative Research Department
Gordon Self, Office of Revisor of Statutes
Jason Thompson, Office of Revisor of Statutes
Judy Swanson, Committee Assistant

Conferees appearing before the committee:
Senator Pat Apple
Senator Susan Wagle
Tony Folsom, KDOR
Mark Desetti, KNEA/KASB
Allen Dinkel, League of Kansas Municipalities
Randall Allen, Kansas Association of Counties

Others attending:
See attached list.

The legal opinion concerning the requiring of social security numbers from licensure applicants and licensees requested by the Committee during the hearing on **SB 91** was distributed. (Attachment 1)

Dan Morgan, Kansas Builders Association, requested introduction of a bill to repeal the sales tax on labor services for commercial remodeling construction. Senator Bruce moved to introduce the bill as requested. Senator Jordan seconded the motion, and the motion carried.

David Corbin, KDOR, requested introduction of a bill containing the Governor's 2007 tax proposals. Senator Lee moved to introduce the bill as requested. Senator Bruce seconded the motion, and the motion carried.

Senator Pine moved to introduce a bill granting sales tax exemption to all 501(c)(3) Lions Clubs. Senator Bruce seconded the motion, and the motion carried.

SCR 1602--Constitutional amendment prohibiting valuation increases for certain residential property owned by a person 65 years of age or older for property tax purposes

Hearing was opened on **SCR 1602.** Tony Folsom, Deputy Director of Property Valuation, explained what a value cap would do to residential properties. (Attachment 2) Neighborhoods that are showing a substantial growth will benefit most with value caps. He also provided a list of all Kansas counties showing the percentage of residents 65 and older. KDOR's position is there may be better options to target individuals to whom the Committee would like to provide property tax relief. Senator Lee commented the tax burden would be shifted to younger taxpayers under this proposal. She said expanding the homestead exemption law might be a better choice to accomplish tax relief for those over the age of 65. Agricultural land is taxed by the use-value method, and those values will remain low. They are figured by using an eight-year window.

Senator Pat Apple testified he has been working for over a year on a tax relief proposal for the elderly. (Attachment 3) The Homestead exemption would be difficult to use for this purpose, and modifying it would not accomplish what he wants to accomplish. This legislation, if adopted by the voters, would require the Legislature to cap property taxes for persons sixty-five and older in their primary residence. The Legislature would also be allowed to place a means test on personal income level or home value. Kansas retirees face many challenges in their retirement years, and this would be one tool to assist them.

Senator Susan Wagle thanked Senators Apple and Bruce for their work on **SCR 1602**. She said when she campaigned as a statewide candidate across the State of Kansas, this was a very popular issue with voters. She said she is having a different version of this bill introduced soon. Her version would raise the age to 67 and not include a dollar cap on property. She requested the Committee members to consider her bill favorably when they receive it.

Mark Desetti, Kansas National Education Association, testified on behalf of KNEA and Kansas Association of School Boards, from a neutral position. (Attachment 4) A limit on valuation increases does not decrease the need for revenue on the local level. KNEA is concerned the amendment would treat all seniors, regardless of wealth, the same. KNEA believes the legislature should make a comprehensive examination of the entire tax system.

Allen Dinkel, League of Kansas Municipalities President, testified in opposition to **SCR 1602**. (Attachment 5) LKM opposes the bill because it would create a shift in taxes, erode the tax base and create tax inequity. He does not think this resolution would make much difference in counties with low property evaluations.

Randall Allen, Kansas Association of Counties, testified in opposition to **SCR 1602**. (Attachment 6) KAC objected because limiting the growth in appraised valuation of real estate would not guarantee the lowering of property taxes, and inequity would be created by applying the cap to all properties of senior citizens, including those who have a much greater ability to pay. KAC would support a statutory change to the homestead property tax refund program.

David Corbin said KDOR would not endorse this bill because it will create a tax shift. In response to Senator Apple's question, Mr. Corbin said KDOR supported the property tax exemption for Machinery & Equipment because it was a stimulator for business. **SCR 1602** would cause erosion, not stimulation, of the tax base.

Gordon Self said when a constitutional amendment is written, a balance must be struck between general language and discretionary language.

The hearing was closed.

Being no further business, the meeting adjourned at 11:50 a.m. The next meeting will be January 30.

SENATE
ASSESSMENT & TAXATION COMMITTEE

GUEST LIST

DATE: Jan. 25, 2007

NAME	REPRESENTING
Randall Allen	Kansas Assoc. of Counties
DAN MORGAN	Builders' Assn. & KC Chapter, AGC
Ann Durkes	DOB
Jim Sullinger	KC STAR
Tony Folsom	KDOR
Roger Hamm	KDOR
David R. Corbin	KDOR
Sandy Jacquot	LKM
Allen Dinkel	LKM & City of Hoisington
Nancy Farmer	City of Hoisington
Leslie Wilhite	City of Yates Center
Richard Jackson	City of Ottawa
JOHN ZUTAVERN	City of Abilene
VELDA ROBERTS	City of Tonganoxie
BRIAN WILLIAMS	City of Manhattan
Michael Boehm	City of Lenexa
Tom Phillips	City of Manhattan
Cindy Green	City of Lenexa

SENATE
ASSESSMENT & TAXATION COMMITTEE

GUEST LIST

DATE: 1/25/07

NAME	REPRESENTING
Jimmie Rose	KACCT
Kim Thomas	City of Stockton
BRAD HARRELSON	KFB
MARK DESETTI	KNEA
Ted Worner	KS Gov't Consulting
CRAIG KABERLINE	K4A
Marty Bloeschling	Sen. Bruce

STATE OF KANSAS
OFFICE OF THE ATTORNEY GENERAL

PHILL KLINE
ATTORNEY GENERAL

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August 28, 2006

Memo

To: Betty Rose
From: Mary Feighny

Subject: Requiring Social Security Numbers from Licensure Applicants and Licensees; Disclosure to the Division of Taxation

This memo addresses the Department of Revenue/Division of Taxation's (KDOR) request for the social security numbers (SSNs) of Board licensees. Before answering this question, it is necessary to examine what authority the Board has, in the first place, to require licensees or license applicants to provide their SSNs.

In requesting a licensee/applicant's SSN, it is incumbent upon the Board to comply with the Privacy Act of 1974,[1] which provides, as follows:

> "(a)(1) It shall be unlawful for any . . . state . . . agency to deny to any individual any right, benefit, or privilege . . . because of such individual's refusal to disclose his social security number.
>
> (2) the provisions of paragraph (1) . . . shall not apply with respect to-
> (A) any disclosure which is required by federal statute, or
> (B) the disclosure of a social security number to any . . . state agency maintaining a system of records in existence . . . before January 1, 1975 if such disclosure was required under statute or regulation adopted prior to such date to verify the identity of an individual.
>
> (b) Any . . . state . . . agency which requests an individual to disclose his social security account number shall inform that individual whether that disclosure is mandatory or voluntary, by what statutory or other authority such number is solicited, and what uses will be made of it."

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[1]Public Law No. 93-579, § 7, 88 Stat. 1896, 1909 (1974), *reprinted in* 5 U.S.C. § 552a note (2003).

I. Can the Board deny a license because the applicant refuses to provide his/her SSN? Answer: No.

Subsection (a) of the Privacy Act prohibits the Board from denying a license because the applicant refuses to provide his/her SSN. The Board can deny a license only if a federal statute requires disclosure of a SSN.[2]

The only federal statutes that address providing a SSN in this instance are 42 USCS § 666(a)(13) and 42 USCS § 405(c)(2)(C)(i). 42 USCS § 666(a)(13) provides, in part, as follows:

> "In order to [enhance child support enforcement], each State must have in effect laws *requiring the use of the following procedures* . . . to increase the effectiveness of the program which the State administers . . ."
>
> "(13) Recording of social security numbers in certain family matters. *Procedures requiring that the social security number of . . . (A) any applicant for a professional license* . . . be recorded on the application;"

The Kansas Department of Social and Rehabilitation Services (SRS) attempted to comply with this federal law by trying to get legislation passed (K.S.A. 74-148) that would require professional license applicants to provide their SSNs. The original bill made it mandatory to provide SSNs on professional license applications.[3] However, by the time the House took final action on the bill, the mandatory language had been removed. The result is that the statute provides only that "the social security number of [applicants] for a professional license . . . *shall be requested, if available*, on the application for such license."

Thus, while 42 USCS § 666(a)(13) mandates that the state of Kansas enact a statute requiring license applicants to disclose their SSNs, the Kansas Legislature did not comply with this federal mandate and, thus, there is no state statute requiring disclosure.

The other federal law, 42 USCS § 405(c)(2)(C)(i) provides, in part, as follows:

> "It is the policy of the United States that *any State . . . may, in the administration of any tax law. . .*utilize the social security account numbers

[2]The Board can also deny if the agency had a records system prior to 1975 and there existed a state law enacted prior to 1975 requiring disclosure of a SSN for purposes of identification. This provision doesn't apply to the Board.

[3]1997 Senate Bill 140. Supplemental Note/Legislative Research.

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> . . . for the purpose of establishing the identification of individuals affected by such law, and may *require any individual who is or appears to be so affected to furnish to such State* . . . or any agency . . . having administrative responsibility for the law involved, *the social security number* . . . issued to him. . ."

This federal law appears to authorize a state to require individuals to furnish their SSNs to facilitate the administration of the state's tax laws.

In 1988, KDOR attempted unsuccessfully to convince the Legislature to require all licensees to provide their SSNs in a move to "enhance taxpayer compliance."[4] The original bill required disclosure of SSNs but this mandatory language was removed during conference committee negotiations.[5]

The result is K.S.A. 74-139 which provides that "an applicant for original licensure . . . or a renewal thereof . . .shall be *requested* to provide the social security number of such applicant. Upon request of the director of taxation, each [state agency] shall provide to the director of taxation a listing of all such applicants, along with such applicant's social security number and address."

While 42 USCS § 405(c)(2)(C)(i) allows a state to require individuals to disclose their SSNs in the administration of the state's tax laws, again, the Kansas Legislature did not so choose, and thus, there is no state law that makes disclosure a requirement for professional licensees.

After reviewing these two federal laws, it is my opinion that because neither Kansas law requires disclosure of a SSN, the Board cannot deny a license application for failure to provide a SSN.

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[4] *Minutes*, House Committee on Taxation, March 29, 1988; Attachment 2.

[5] Senate Journal at 1905 (April 30, 1988).

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2. Is the Board required to provide licensees' SSNs to KDOR and/or SRS?
Answer: Yes, but only if the Board has complied with the Privacy Act by advising licensees that: (1) disclosure is voluntary; and (2) if provided, the SSN can be disclosed to KDOR pursuant to K.S.A. 74-139 and SRS pursuant to K.S.A. 74-148 and 39-758.[6]

The Board currently notifies licensees via its web page that social security numbers are required for the Board's database. This information should be changed to reflect that it is voluntary.

The KDOR Request for Licensees' SSNs. As far as responding to KDOR's request, K.S.A. 74-139 requires the Board to provide licensees' SSNs. However, that same statute does not require applicants to provide SSNs. The statute only requires state agencies to "request" SSNs.

Section (b) of the Privacy Act requires that any individual who is requested to provide his/her SSN be advised whether disclosure is mandatory or voluntary, the statutory authority for the request, and how the SSN will be used. The purpose is to give the person the opportunity to make a choice whether to disclose or not.[7] To make the choice meaningful, the person must be advised before the Board can disclose the SSNs.

While the Board's notice on its web page advises licensees that their SSNs may be given to KDOR pursuant to K.S.A. 74-139, it does not advise that providing the SSN is voluntary. Thus, licensees did not have the opportunity to make a meaningful choice to provide or not provide their SSNs. Since it's a crime to disclose SSNs in violation of federal law,[8] it is my opinion that the Board cannot accede to KDOR's request until the Board complies with section (b) of the Privacy Act.

After you've reviewed this memo, we can discuss this matter further.

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[6]K.S.A. 39-758 provides, in part: "[The] State . . . their officers and employees, shall cooperate with [SRS] in locating absent parents or their assets and shall on request supply [SRS] with available information about an absent parent or the absent parent's assets including . . . the social security number of the absent parent. . ."

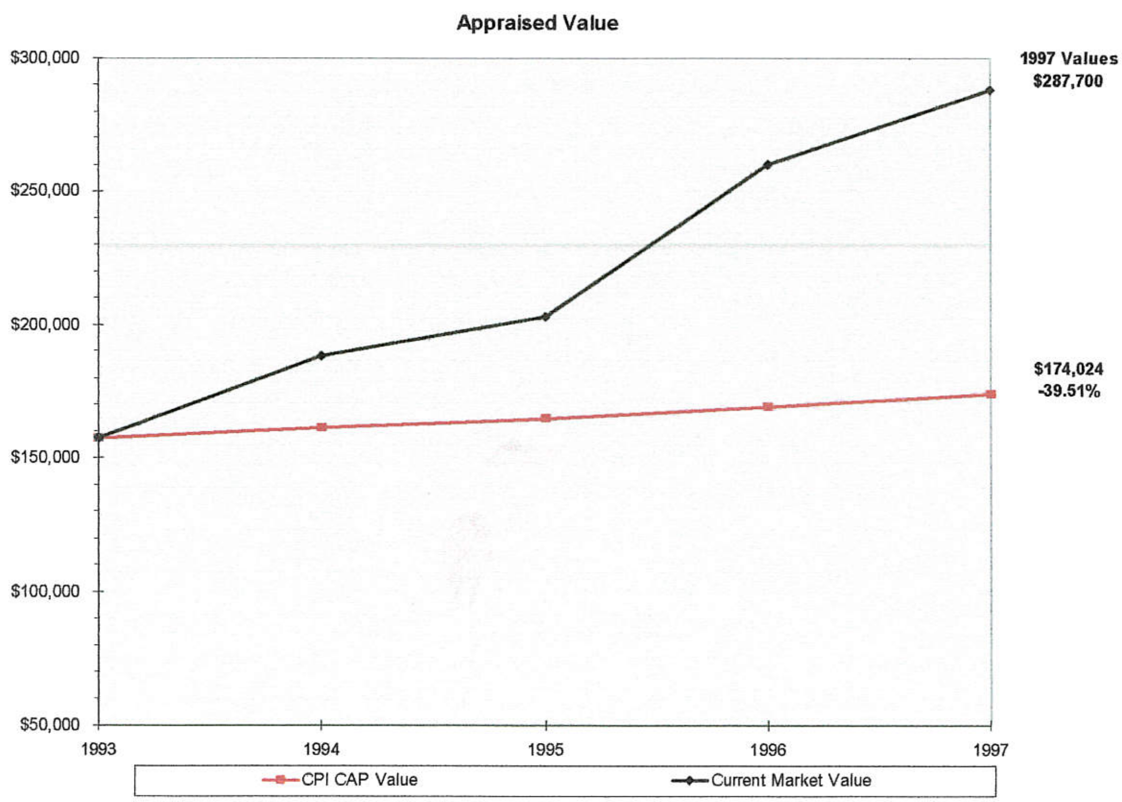
[7]*Doyle v. Wilson,* 529 F.Supp. 1343 (D. Delaware) 1982; *Doe v. Sharp,* 491 F.Supp. 346 (D. Mass) 1980; *Greater Cleveland Welfare Rights Organization v. Bauer,* 462 F.Supp. 1313 (N.D. Ohio) 1978.

[8]42 USC § 408(a)(8).

16501 Horton St.
046-7P1-40-0-00-00-00.17

This property is a five bedroom three and one-half bath, full basement conventional style home with a two car garage. The home contains 3,760 square feet of living area and is located on a 141 ft. x 305 ft. lot. This home was built in 1976 and is considered B grade.

- Value comparison of current value to CPI CAP value.
- Appreciating neighborhood



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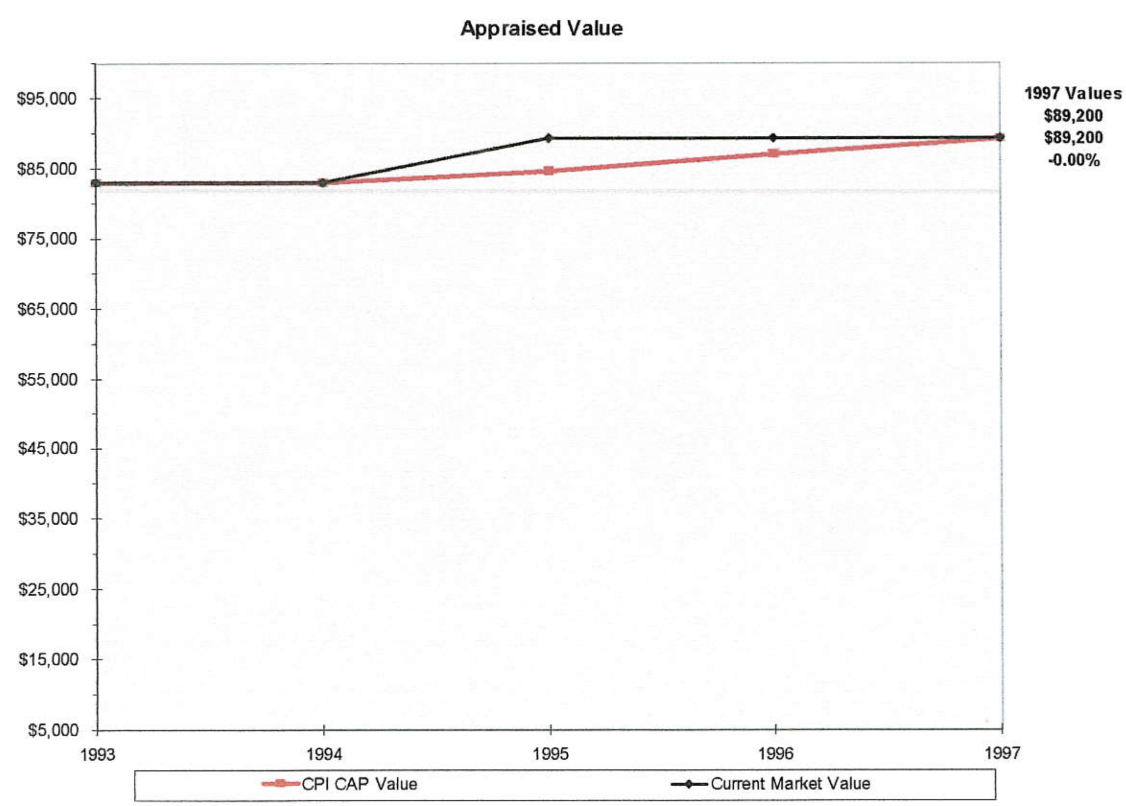
5126 N 108th Street
105-148-92-1

This property is a three bedroom, three bath, full basement ranch style home with a two car basement garage. The home contains 1,724 square feet of living area plus 560 square feet of recreation room finish in the basement and is located on a 157 ft. x 120 ft. lot. This home was built in 1970 and is considered a C grade.

- Value comparison of current market value to CPI CAP value
- Static neighborhood



Assessment & Taxation
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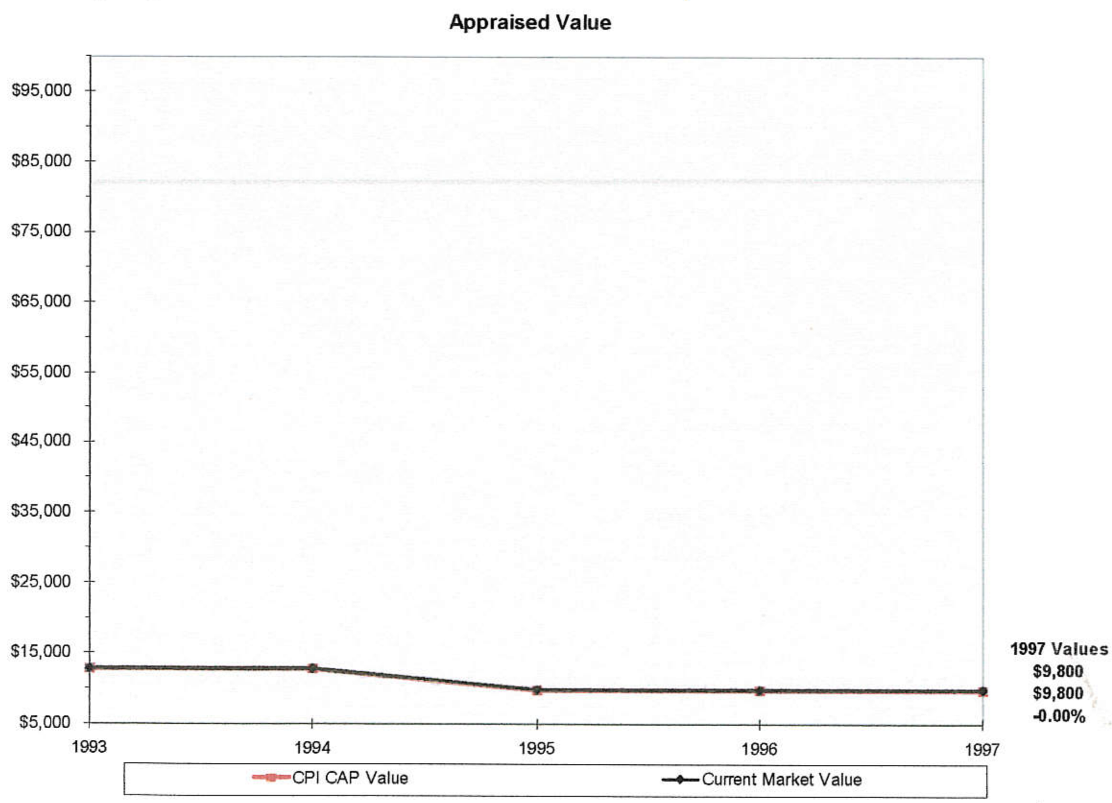
1118 Argentine Boulevard
105-072-55-9

This property is a two bedroom, one bath, partial basement bungalow style home with no garage. The home contains 967 square feet of living area and is located on a 25 ft. x 115 ft. lot. This home was built in 1920 and is considered a D grade.

- Value comparison of current market value to CPI CAP value
- Declining neighborhood



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County	2000 Pop	65 & Over	%
Allen	14385	2,593	18.0
Anderson	8110	1,626	20.0
Atchison	16774	2,723	16.2
Barber	5307	1,141	21.5
Barton	28205	5,043	17.9
Bourbon	15379	2,804	18.2
Brown	10724	2,089	19.5
Butler	59482	7,483	12.6
Chase	3030	568	18.7
Chautauqua	4359	1,061	24.3
Cherokee	22605	3,425	15.2
Cheyenne	3165	842	26.6
Clark	2390	521	21.8
Clay	8822	1,831	20.8
Cloud	10268	2,384	23.2
Coffey	8865	1,439	16.2
Comanche	1967	508	25.8
Cowley	36291	5,770	15.9
Crawford	38242	5,910	15.5
Decatur	3472	909	26.2
Dickinson	19344	3,599	18.6
Doniphan	8249	1,334	16.2
Douglas	99962	7,937	7.9
Edwards	3449	717	20.8
Elk	3261	825	25.3
Ellis	27507	3,939	14.3
Ellsworth	6525	1,329	20.4
Finney	40523	2,829	7.0
Ford	32458	3,566	11.0
Franklin	24784	3,476	14.0
Geary	27947	2,634	9.4
Gove	3068	696	22.7
Graham	2946	697	23.7
Grant	7909	763	9.6
Gray	5904	749	12.7
Greeley	1534	271	17.7
Greenwood	7673	1,750	22.8
Hamilton	2670	490	18.4
Harper	6536	1,519	23.2
Harvey	32869	5,512	16.8
Haskell	4307	457	10.6
Hodgeman	2085	396	19.0
Jackson	12657	1,889	14.9
Jefferson	18426	2,358	12.8
Jewell	3791	983	25.9
Johnson	451086	45,069	10.0
Kearny	4531	504	11.1
Kingman	8673	1,697	19.6
Kiowa	3278	699	21.3
Labette	22835	3,960	17.3
Lane	2155	441	20.5
Leavenworth	68691	6,766	9.8

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Lincoln	3578	842	23.5
Linn	9570	1,750	18.3
Logan	3046	632	20.7
Lyon	35935	4,183	11.6
Marion	13361	5,109	17.3
Marshall	10965	2,824	21.1
McPherson	29554	2,414	22.0
Meade	4631	831	17.9
Miami	28351	3,378	11.9
Mitchell	6932	1,482	21.4
Montgomery	36252	6,633	18.3
Morris	6104	1,283	21.0
Morton	3496	487	13.9
Nemaha	10717	2,359	22.0
Neosho	16997	2,980	17.5
Ness	3454	837	24.2
Norton	5953	1,165	19.6
Osage	16712	2,648	15.8
Osborne	4452	1,144	25.7
Ottawa	6163	1,086	17.6
Pawnee	7233	1,340	18.5
Phillips	6001	1,311	21.8
Pottawatomie	18209	2,451	13.5
Pratt	9647	1,851	19.2
Rawlins	2966	758	25.6
Reno	64790	10,618	16.4
Republic	5835	1,523	26.1
Rice	10761	1,934	18.0
Riley	62843	4,729	7.5
Rooks	5685	1,220	21.5
Rush	3551	899	25.3
Russell	7370	1,774	24.1
Saline	53597	7,480	14.0
Scott	5120	845	16.5
Sedgwick	452869	51,574	11.4
Seward	22510	2,006	8.9
Shawnee	169871	23,341	13.7
Sheridan	2813	570	20.3
Sherman	6760	1,153	17.1
Smith	4536	1,264	27.9
Stafford	4789	1,015	21.2
Stanton	2406	312	13.0
Stevens	5463	727	13.3
Sumner	25946	4,014	15.5
Thomas	8180	1,197	14.6
Trego	3319	796	24.0
Wabaunsee	6885	1,073	15.6
Wallace	1749	316	18.1
Washington	6483	1,625	25.1
Wichita	2531	405	16.0
Wilson	10332	2,061	19.9
Woodson	3788	939	24.8
Wyandotte	157882	18,520	11.7

Assessment & Taxation
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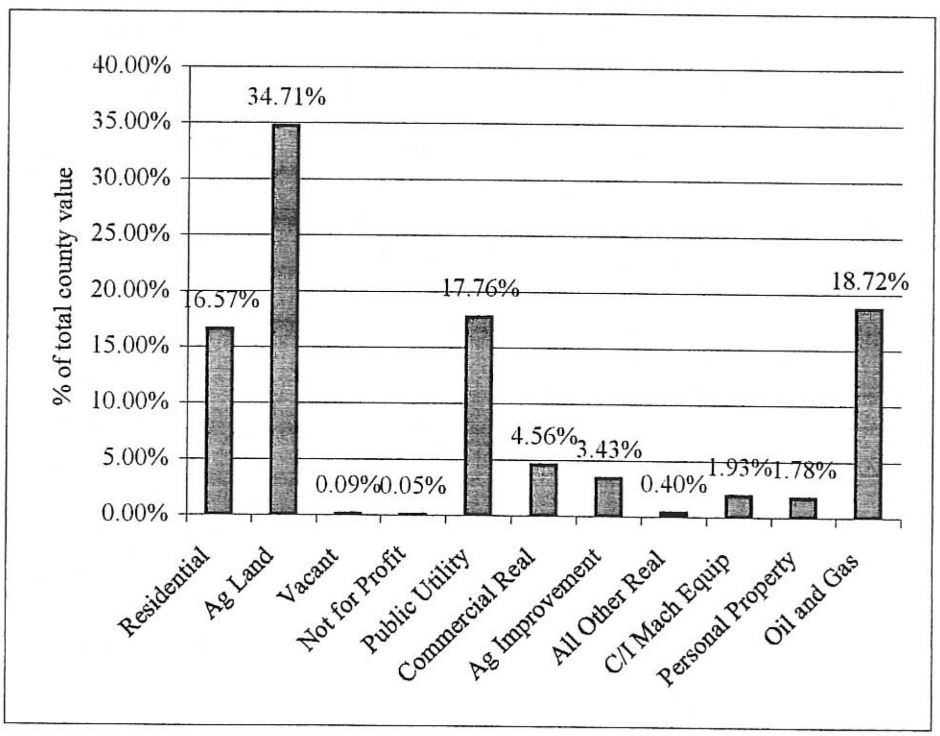
Attachment # 2-5

2006 Real and Personal Property Value and Tax Summary

County Name	**Rawlins**
County Number	**77**

Total Taxable Value	$32,803,707	**Tax Per Capita**	$1,516
Value Per Capita	$11,060	**Mill Levy**	137.0590
Total Ad Valorem Tax	$4,496,072	**2000 Population**	2,966

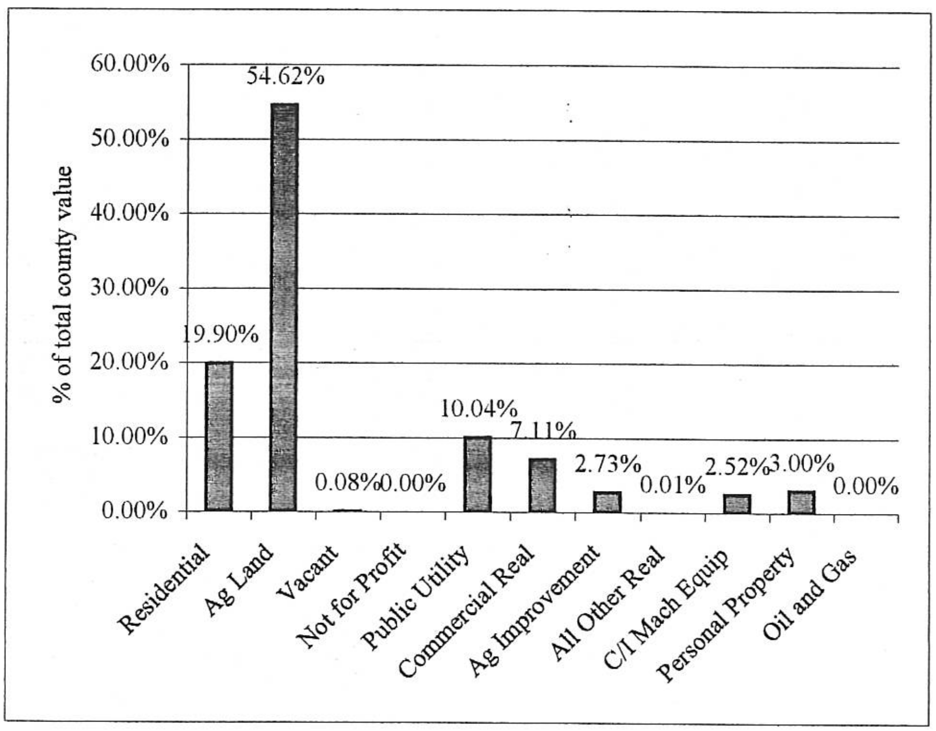
Property Type/Class	**2006 Value**	**% of County**
Residential	5,435,074	16.57%
Ag Land	11,386,842	34.71%
Vacant	30,586	0.09%
Not for Profit	16,873	0.05%
Public Utility	5,825,895	17.76%
Commercial Real	1,496,026	4.56%
Ag Improvement	1,126,164	3.43%
All Other Real	130,253	0.40%
C/I Mach Equip	633,691	1.93%
Personal Property	582,365	1.78%
Oil and Gas	6,139,938	18.72%
Total	32,803,707	100.00%



2006 Real and Personal Property Value and Tax Summary

County Name	**Smith**		
County Number	**92**		
Total Taxable Value	$36,151,001	**Tax Per Capita**	$1,338
Value Per Capita	$7,970	**Mill Levy**	167.9260
Total Ad Valorem Tax	$6,070,941	**2000 Population**	4,536

Property Type/Class	**2006 Value**	**% of County**
Residential	7,192,579	19.90%
Ag Land	19,745,113	54.62%
Vacant	27,841	0.08%
Not for Profit	1,526	0.00%
Public Utility	3,628,106	10.04%
Commercial Real	2,571,644	7.11%
Ag Improvement	985,298	2.73%
All Other Real	4,521	0.01%
C/I Mach Equip	910,181	2.52%
Personal Property	1,084,192	3.00%
Oil and Gas	0	0.00%
Total	36,151,001	100.00%



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Attachment # 2-7

STATE OF KANSAS

PAT APPLE
SENATOR, TWELFTH DISTRICT
PO BOX 1
LOUISBURG, KANSAS 66053
(913) 837-5285
Office: STATE CAPITOL BUILDING—242-E
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(785) 296-7380
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TOPEKA

SENATE CHAMBER

COUNTIES
ANDERSON, FRANKLIN,
LINN & MIAMI

COMMITTEE ASSIGNMENTS
VICE CHAIR: UTILITIES
MEMBER: ASSESSMENT AND TAXATION
EDUCATION
TRANSPORTATION
JOINT COMMITTEE ON STATE
BUILDING CONSTRUCTION
email:pat@patapple.org
apple@senate.state.ks.us

Testimony Presented To
The Senate Assesment and Taxation Committee
By Senator Pat Apple
January 25, 2007
Senate Concurrent Resolution 1602

Thank you for the oportunity to testify before the Senate Assesment and Taxation Committee in support of Senate Concurrent Resolution (SCR) 1602.

SCR 1602 will grant the Kansas Legislature authority to enact laws to freeze valuation of the primary residence owned by persons 65 years old and older. SCR 1602 will grant the Kansas Legislature the authority to restrict the application as well.

Full implimentation of SCR 1602 will require three steps.

1. Passage of SCR 1602 by the Kansas House and Kansas Senate with 2/3 majority.

2. Passage by the voters of Kansas (election date to be determined).

3. Passage of enabling legislation.

Kansas retirees face many challenges in their retirement years. For many their income is stagnant while the cost of living continues to climb. Health care costs require over twice the amount of their income than the general public, 4.8% vs. 10.5%. Many retirees do not take advantage of the items that are actually going down in cost factored into the Consumer Price Index (CPI), such as cell phones, laptops and computers. The case could be made that their increase in cost of living is higher than the CPI.

While many facts and figures will be used to justify SCR 1602, I would like the committee to consider a factor that cannot be expressed in a spread sheet. It is the peace of mind provided to our retirees knowing that their property tax bill on their home will stay fairly consistent while they are in their retirement years.

Thank you for your consideration of Senate Concurrent Resolution 1602.

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1 Forty-two states and the District of Columbia alleviate or shift property tax burdens through freezing or limiting assessed property values, property tax rates, or property taxes.

Source: Baer, David. "State Programs and Practices for Reducing Residential Property Taxes." AARP. 2003. http://www.aarp.org/ppi

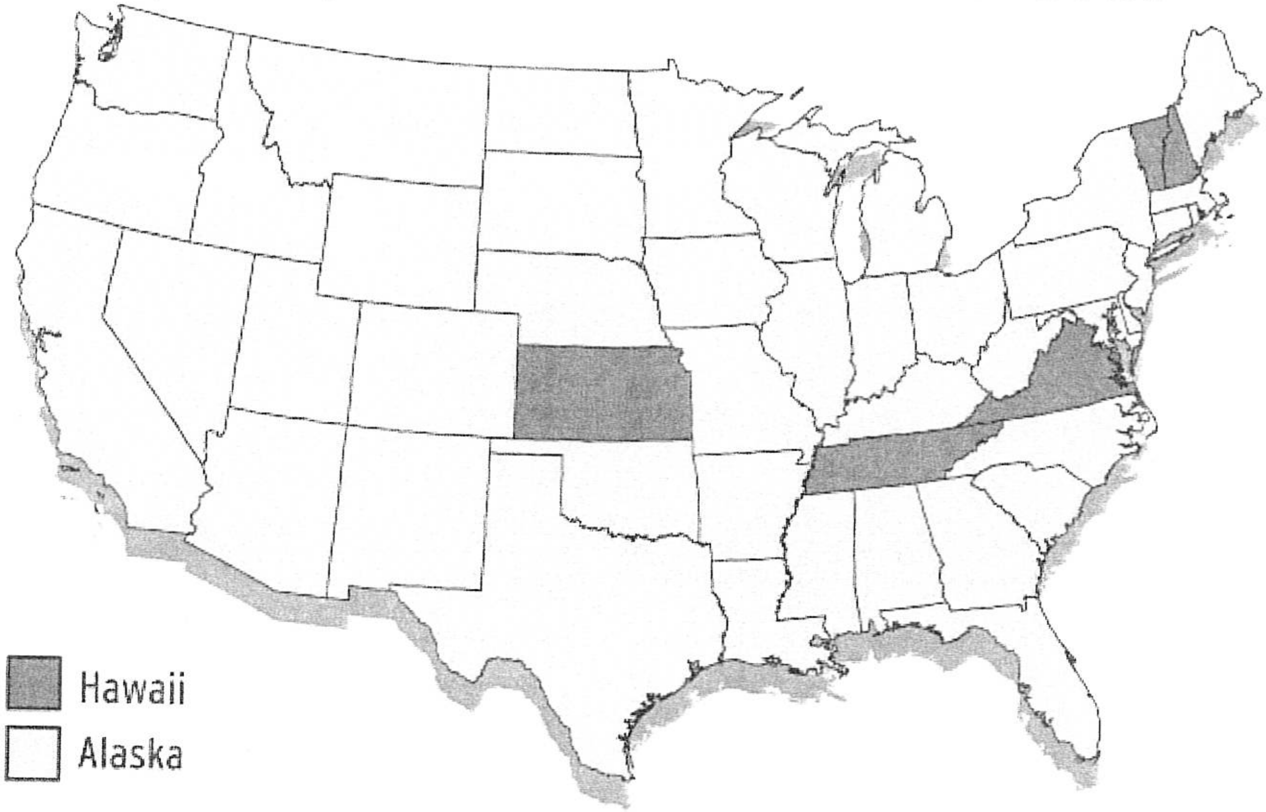
2 According to the Bureau of Labor Statistics (BLS), the general public spends about 4.8% of their household income on health care costs, while older persons spend more than twice that -- 10.5%.

Source: U.S. Department of Labor, Bureau Statistics. http://stats.bls.gov

3 CPI (Consumer Price Index) includes such items as food, energy, housing, and electronic equipment. The CPI for seniors is increasing as older people aren't seeing the benefit of dropping prices in such areas as electronics.

Source: TREA Senior Citizens League. http://www.tscl.org

Property taxes across the U.S.



States with at least a partial cap on how much state or local property taxes can increase in a given year for people who are elderly or low-income

States with no cap on property taxes

SOURCE: AARP State Handbook of Economic, Demographic and Fiscal Indicators. Data for 2004 and 2005.

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Attachment # 3-3

KANSAS NATIONAL EDUCATION ASSOCIATION / 715 SW 10TH AVENUE / TOPEKA, KANSAS 66612-1686

Mark Desetti, Testimony
Senate Assessment and Taxation Committee
January 25, 2007

SCR 1602

Also representing the Kansas Association of School Boards

Madame Chair, members of the committee, thank you for the opportunity to appear before you today to share our thoughts on **Senate Concurrent Resolution 1602**. I would like to note that I am speaking today for both KNEA and the Kansas Association of School Boards.

We understand the desire to provide tax relief for seniors on fixed incomes. Valuation increases can be significant and, if coupled with a local mill levy increase, can be a real shock.

We are not advocating for either the passage or defeat of this resolution. We would like to simply point out what we see as some of the consequences.

A limit on valuation increases that in essence caps the property tax on the homes of every Kansan over the age of 65 does not decrease the need for revenue on the local level. This resolution, while providing tax relief for seniors, will shift the burden to all residential property owners under the age of 65 and to commercial properties. This tax relief will result in a tax increase for other Kansans and for Kansas businesses.

A second concern we have is that it treats all seniors, regardless of wealth, the same. We would suggest that not all seniors are struggling with their property tax payments. As written, the tax relief goes to all Kansas seniors not only to those who need such relief.

We would suggest that a better way to do this is to provide for some "circuit breaker" under which the limitation would kick in. For example, if the valuation increase would result in a property tax bill that exceeds a certain percentage of income, then the relief would kick in. In this way, the tax benefit is targeted to those who need it and minimizes the shift to other property owners.

As a final note, we continue to believe that the legislature should make a comprehensive examination of the entire tax system to ensure that our many provisions result in a system that will provide stable funding for all state services and that is fair to both citizens and business.

Assessment & Taxation
Date 1-25-07
Attachment # 4

LKM
League of Kansas Municipalities

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To: Senate Assessment and Taxation Committee

From: Allen Dinkel, LKM President and City Manager, City of Hoisington

Date: January 25, 2007

Re: Opposition to SCR 1602

On behalf of the League of Kansas Municipalities I want to thank the committee for the opportunity to appear before you today in opposition to SCR 1602. This concurrent resolution proposes to amend the Kansas Constitution, Article 11, Section 1, to prohibit valuation increases on single-family residential real property owned by and the principal place of residence of a Kansas resident 65 years of age or older. While cities understand the desire to limit the tax burden on our older citizens, this resolution is ill-advised for several reasons.

First, because a prohibition on valuation increases logically results in less tax revenue being collected from one population, such a loss must be made up from other areas. Thus, any tax relief provided to one group creates a shift of the tax burden to other groups. Without regard to individuals' ability to sustain the valuation increase and resulting tax liability, the over 65 population will, across the board, see a decrease in real property taxes. Demographically, many of the wealthiest citizens in Kansas will have the valuation on their high dollar homes frozen, thus achieving an incredible tax windfall. The supposition that all or even most citizens over age 65 need assistance from the state in order to continue to live in their homes is simply not supportable. On the other hand, even if taxing subdivisions keep the amount their levies raise in tax dollars flat, younger families who may be less able to take on additional tax liability will be forced to pay more. It is an inescapable fact that this amendment would create a tax shift.

Second, this amendment, if adopted would further erode the tax base. At a time when the state is struggling to fund necessary services, such as education, and cities are trying to fund services essential for all citizens who live in our communities, further loss of tax revenue is simply exacerbating the problem. After the loss of demand transfers several years ago, cities have been left dependent on the property tax and sales tax as the two primary sources of revenue. For cities that have few or no retailers in their communities, the property tax is left as the source for funding city services. A tax policy issue that must be faced in the coming years is how to fund local government in the face of an eroding tax base, with no other sources of revenue upon which to draw.

Finally, the adoption of this amendment would take the state back to the days of tax inequity where two houses sitting side-by-side have different values simply because of who owns the property. It took reappraisal and many years of refining the state's appraisal system to finally bring an end to most of the unfair and inequitable treatment of values in the years leading up to reappraisal. This amendment would create a valuation system that results in fictional and unequal values.

The League understands the problems faced by our older citizens in trying to remain in homes that increase in value and cost more in property taxes. This amendment, however, is simply the wrong means to achieve the goal. The League of Kansas Municipalities urges the committee not to report SCR 1602 favorable for passage.

Assessment & Taxation
Date 1-25-07
Attachment # 5-2

KANSAS
ASSOCIATION OF
COUNTIES

Testimony concerning SCR No. 1602
Senate Assessment and Taxation Committee
January 25, 2007
Presented by Randall Allen, Executive Director
Kansas Association of Counties

Chairman Allen and members of the committee, my name is Randall Allen, Executive Director of the Kansas Association of Counties. Thank you for the opportunity to present testimony on Senate Concurrent Resolution 1602, which directs the Legislature to prohibit valuation increases on single-family residential property which is owned by and the principal place of residence of a Kansas resident who is 65 years of age as of January 1 of the tax year.

On behalf of our 99 member counties who unanimously approved our 2007 Legislative Policy Statement at our annual conference last November, the Kansas Association of Counties expresses its opposition to this (and any other similar constitutional amendment proposal) which precludes residential property valuation increases above some artificial level. We object to this proposal for the following reasons:

1) Limiting the growth in appraised valuation of real estate to a cap established by legislative enactment would not guarantee the precise impact in lowering taxes as is often claimed. The **amount of taxes owed** on any single property is a product of the **tax rate**, expressed in mills times **(X)** the **assessed valuation** of the property, expressed in dollars. If values of a certain group of properties are suppressed which are otherwise increasing in value above and beyond some artificial limit, then the mill levy rate (set by county clerks) to generate the dollars needed to finance certain school district, county, city, and special district budgets will increase to the extent necessary to produce the same amount of revenue. As such, the increased mill levy rate would apply to **all** properties – whether they are owned by senior citizens or non-senior citizens. The rate would also apply to commercial properties which are classified at a higher rate of assessment.

2) Our second concern about this proposal is the inequity that is created by applying the cap to ***all*** properties of senior citizens, including those with a much greater ability to pay than others. There is no means test in this constitutional amendment proposal and so elderly Kansans with substantial means would receive a tax break just like Kansans with less means to support themselves. Being 65 and older does not automatically equate to being poor or less able to pay; in fact, **some** of our senior citizens are **most** able to pay taxes, especially when contrasted with young families with children or families with disabled family members who are trying to eke out a living working multiple jobs, with child care expenses, health care bills, *et. al.* If there is a desire to assist senior citizens in need of assistance, why would we not expand the homestead property tax refund program through a simpler statutory change, which has a long history of providing tax relief to not only senior citizens, but households with disabled persons? A statutory change to the homestead property tax refund program would be a much more targeted, strategic way of directing property tax relief to senior citizens than amending the Constitution in some way.

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Assessment & Taxation
Date 1-25-07
Attachment # 6

After experiencing years of neglect in our property tax administration system in the 1960s, 1970s, and 1980s, county commissioners and state officials expended the fiscal and political capital to make our system better. It is not perfect, but it is infinitely better than it was before property values were revisited on an annual basis. We urge the committee to refrain from presenting this proposed constitutional amendment to the voters. Thank you.

The Kansas Association of Counties, an instrumentality of member counties under K.S.A. 19-2690, provides legislative representation, educational and technical services and a wide range of informational services to its member counties. Inquiries concerning this testimony should be directed to Randall Allen or Judy Moler by calling (785) 272-2585.