

January 11, 2024

The Honorable Caryn Tyson, Chair  
Senate Committee on Assessment and Taxation  
300 SW 10<sup>th</sup> Avenue, Room 548-S  
Topeka, Kansas 66612

**Subject: In Support of SB 196 / Richard D. Paz, resident, Leavenworth County / Written & Oral Testimony**

*Chairwoman Tyson and Committee,*

I would have preferred offering testimony about the necessity of relieving the growing property tax burden on lower and middle-income Kansans. But the problem of Kansas property taxation is Janus-faced. From the point of view of average-income homeowner, escalating tax rates are unsustainable at the pocketbook level. But a prevailing ideology in Kansas 'tax politics' views starving local governments of tax revenue and hence, public services as the primary solution.

I, like many other home and property owners are angry at the unrelenting rise of property taxes. But supporting SB 196, will not only help offset inflationary market pressures on homeowners but also the loss of tax revenues from current and future property tax reduction measures. In this sense, SB 196 would function as a socio-economic stabilizer.

For example, if measures such as SCR 1610, amending the state constitution to limit property valuation rate increases and other tax reduction proposals coming before the legislature, are signed into law, they will negatively impact local tax revenue generation. Thus, lost revenue offsetting mechanisms such as SB 196 are necessary to implement first, so we avoid doing more harm than good.

A key feature of local ad valorem tax reduction fund (LAVTR) is these revenues are from taxes already imposed. This money is filling a state budget surplus which is now estimated \$2.6 billion dollars and growing. These funds are the people's money. The first priority for returning these funds should be to the communities from which they came. The Kansas Budget Division's fiscal note for SB 196 does not indicate adverse impacts on the state budget. Internal implementation costs are estimated as "negligible."<sup>1</sup>

Safe roads and bridges, mental health services and libraries are among the basic services citizens want, so they can get on with their lives, work, and futures.<sup>2</sup> Passing SB 196 to action the local ad valorem tax reduction fund will provide needed revenue, so county governments can get on with their jobs supporting citizens while simultaneously stabilizing or in best case scenarios, lowering MIL levies. However, homeowners should be informed that LAVTR is not a

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<sup>1</sup> Adam Proffitt, Director of the Budget, subject: Fiscal Note for SB 196 by Senator Pittman. Kansas Division of the Budget, February 16, 2023.

<sup>2</sup> I would list quality schools separately because Kansas counties and cities do not control school budgets or tax levies. Unified school districts are separate Kansas taxing subdivisions. Nonetheless, the same tax dilemma applies to them.

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silver bullet. If SB 196 is signed into law, homeowners should not expect a property tax refund check. But a check on inflationary property tax levies is a step in the right direction.

What is also angering many citizens are increasing political attacks against local elected officials for merely doing their jobs. Local government critics conflate increasing taxation with 'uncontrolled government spending'. It is incredulous to me why some members of the Kansas legislature refuse to acknowledge that local governments are subject to inflationary pressures as are ordinary citizens and businesses. Local government does not stand outside market forces.

Pandemic supply shocks and market uncertainty over wars abroad still reverberate throughout the economy as well as growing evidence of 'seller's inflation' which have kept prices abnormally high in some economic sectors compared to pre-pandemic price levels.<sup>3</sup>

Yet a common strategy employed by county critics is weaponizing SB 13's language of "exceeding the revenue neutral rate" to accuse anyone supporting a budget higher than the previous year of being a "tax and spend liberal." This exposes these critic's intent to undermine local government budgets and the services these budget's support.

Meanwhile these same critics do not hesitate to promote legislation to redistribute property tax burdens upon homeowners by demanding tax exemptions for select interest groups. SB 252 and HB 2036 are prime examples of special interest exemptions for groups who are in many cases, already well compensated. As a military retiree with over thirty years of service to the nation, it is my hope that such proposals are the subject of future hearings.

The critic's end game is imposing austerity without calling it austerity. County tax revenue is a zero-sum game. Special interest tax exemptions will result in the rest of us being forced to make up the difference with higher Mil levies and even higher per capita tax burdens.

State tax revenue should not be used as political capital for special interests but used where it provides the most impact for all Kansans. I implore the Kansas legislature to conserve what makes Kansas communities vibrant and great places to raise families. Relieve inflationary tax burdens but do not deny our communities necessary tax revenue. Support the passage of SB 196.

Respectfully,

Richard D. Paz

  
Colonel (US Army Retired)

Leavenworth County, Kansas

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<sup>3</sup> Weber, Isabella M. and Wasner, Evan, "Sellers' Inflation, Profits and Conflict: Why can Large Firms Hike Prices in an Emergency?" (2023). Economics Department Working Paper Series. 343. <https://doi.org/10.7275/cbv0-gv07>