



SEDGWICK COUNTY BOARD OF COUNTY COMMISSIONERS

Jim Howell, 5th District

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Neutral Testimony regarding HCR5011 – Constitutional Amendment on Property Taxes

Chairman Smith and members of the committee,

I am testifying today on behalf of myself and not the Sedgwick County Commission.

Fundamentally, I hate property taxes. If I had the power, I would choose a different form of taxation over property taxes for at least two reasons.

1. The Right to Own Property is founded in the US and Kansas Constitutions. As long as we tax people's homes, we are violating this foundational principle.
2. This property tax system is subjective by design and the errors within the system are egregious. These errors benefit some property taxpayers and harm others by undervaluing and overvaluing property.

As a KS State Representative (Dist. 82 & 81, 2011 thru 2014), I was a strong vocal advocate for the **Truth in Taxation** law passed in 2012. This was about transparency and accountability. If municipalities wanted to raise taxes above a calculated cap, they would have had to jump over a couple hurdles, but it did not actually do anything substantial to slow down tax increases.

I also was an advocate for the **Tax Lid** passed in 2015 (House Sub for SB91). As a commissioner, I testified in favor of this law and provided technical amendment recommendations to make it logistically workable. Unfortunately, this law had a Public Safety loophole and therefore was largely ineffective.

Then came **SB13, the RNR** bill, also considered **another Truth in Taxation law**. This law has a lot of flaws and does nothing significant to reduce tax increases. One thing this law did was redefine "tax increase" to mean "tax dollars" not mill levy rate.

HCR5011 is misguided because, like SCR1603, it addresses the Process, not the Real Problem.

Simply put: $(Assessed\ Value) \times (Mill\ Levy\ Rate) = (Tax\ Dollars)$

This bill focuses on the assessment process. The first question should be asked, **is this process broken?**

I completely agree that there are subjective errors in the appraisal process.

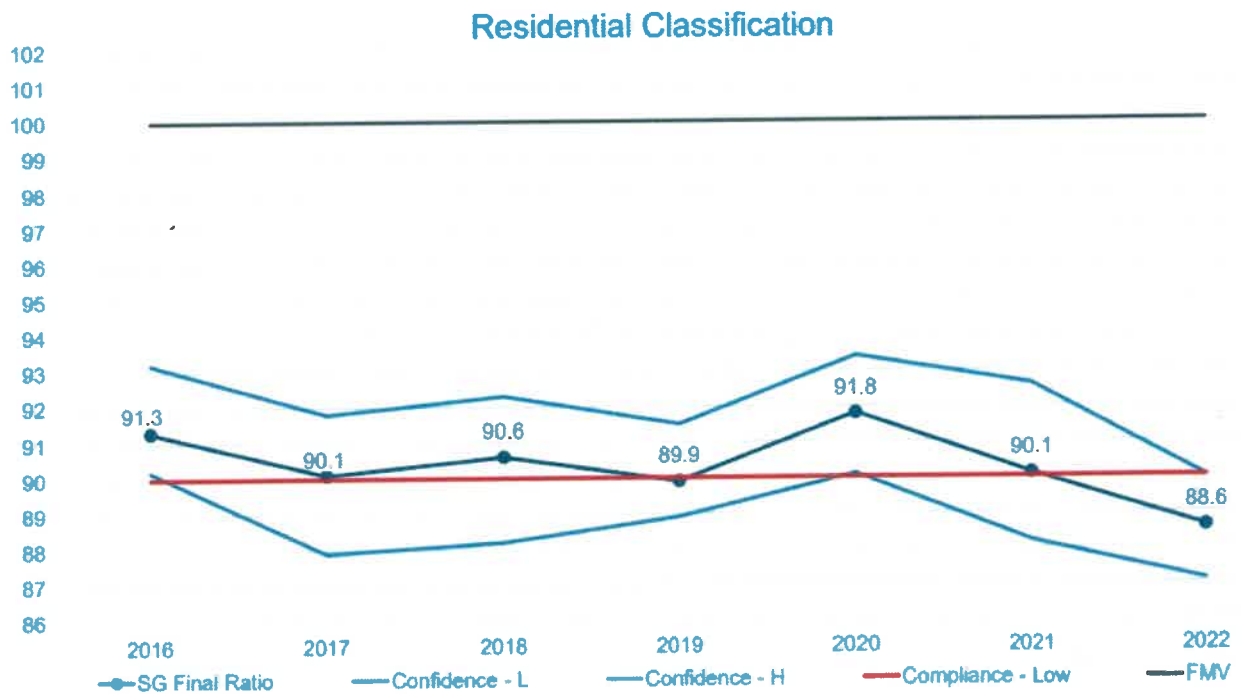
The county appraisers should be renamed "State Appraiser for X-County or Y-Region" as they actually work for KDOR, under PVD. PVD does an annual Sales Ratio Study to monitor the performance and they issue mandate corrections to keep the appraisers close to Fair Market Value (FMV).

<https://www.ksrevenue.gov/pdf/23FinalRatioStudy.pdf> to read the SRS for each county.

Here is Sedgwick County:

087 : SEDGWICK COUNTY														
PROPERTY CLASS	Median Ratio	Confidence Interval		COD	Confidence Interval		PRD	Confidence Interval		Valid Sales	Trim Sales			
Residential	91	89.6	to	92.3	9.6	8.8	to	10.5	0.99	0.98	to	1	358	33
Commercial/Ind.	80.4	77	to	84.8	19.1	16.9	to	21.9	1.02	0.99	to	1.07	129	5
Vacant Lot	57.1	-	N/A	-	59.3	-	N/A	-	1.28	-	N/A	-	166	6
Farm & Home	1.6	-	N/A	-	103.7	-	N/A	-	0.92	-	N/A	-	42	3
Ag. Land Only	0.4	-	N/A	-	117.7	-	N/A	-	0.86	-	N/A	-	149	20
Ag. (Impr. + Land)	0.5	-	N/A	-	123.5	-	N/A	-	0.87	-	N/A	-	157	24
Other/Ex/Ut/NP/Mix	79.1	-	N/A	-	-	-	N/A	-	-	-	N/A	-	1	0
TOTAL w/Ag. & F&H	79.1	-	N/A	-	44.3	-	N/A	-	1.01	-	N/A	-	853	7
TOTAL MARKET	87.6	-	N/A	-	18.8	-	N/A	-	1.01	-	N/A	-	654	59

This means in Sedgwick County, on average, the appraiser was at 91% value (and the required range is 90% to 110%, however we never want to be over 100%)



Source: KDOR – PVD Final Sales Ratio Reports

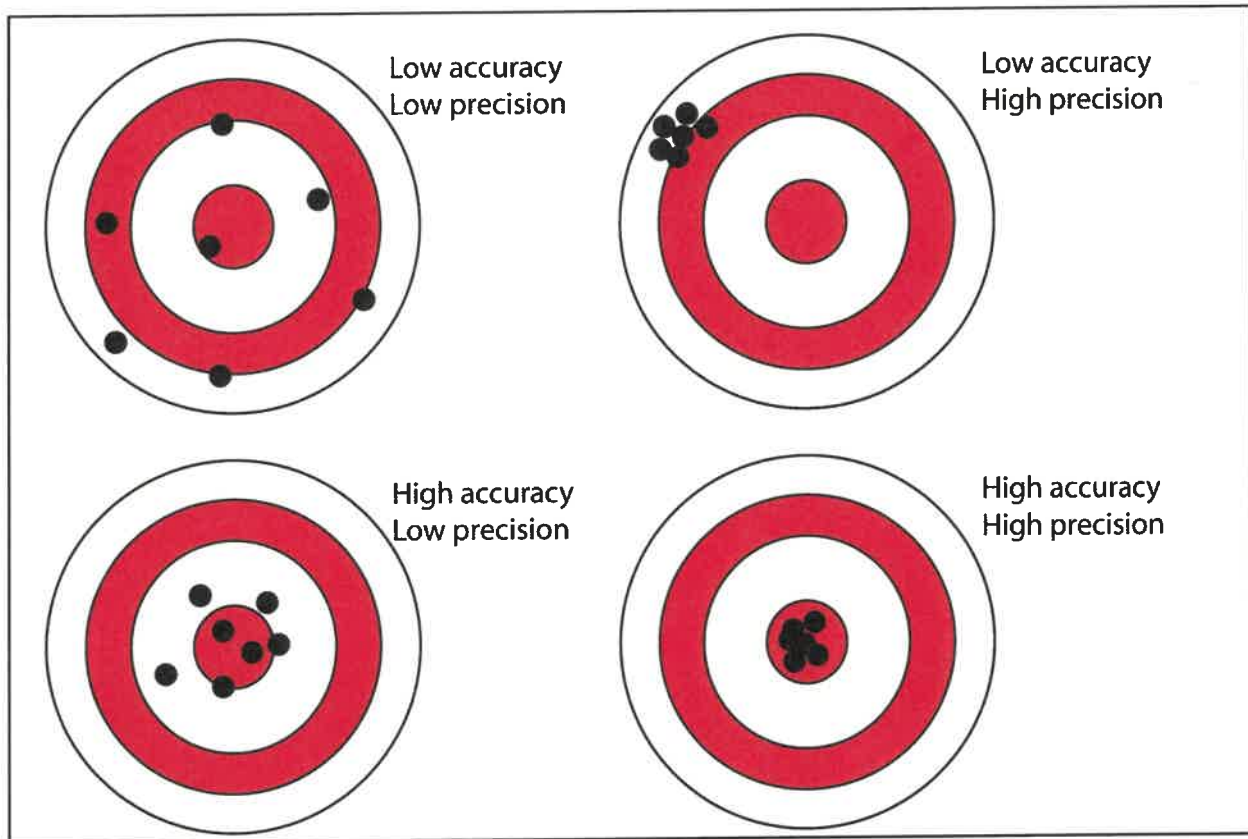
This is for RESIDENTIAL properties from 2016 to 2022. The highest number is 91.3% of actual FMV.

Of course there are errors that drive this discussion. I spoke to one person two days ago that informed me her last appraisal shot up another 22% in one year. HCR5011 would address this. But the effect is a DELAY in this person from paying their fair share.

Article 11 of the KS Constitution states in part, that taxation should be **UNIFORM and EQUAL**, meaning the process should Fairly Appraise properties and the Tax Burden should be equally divided out based on each properties Assessed Value.

In reality, this particular home had been undervalued for many years and consequently, this property owner paid less property taxes than they should have paid had they had a more accurate assessment in previous years. Checking every 3rd party real estate site, the consensus on this this particular property was still undervalued by about 10% to 20% of a true FMV.

You have seen this image before:



In reality, the appraiser is more like the Lower Left Target. In the SgCo data I provided, the average of their errors is about 91% FMV (re-stated... they are on average about 9% below FMV).

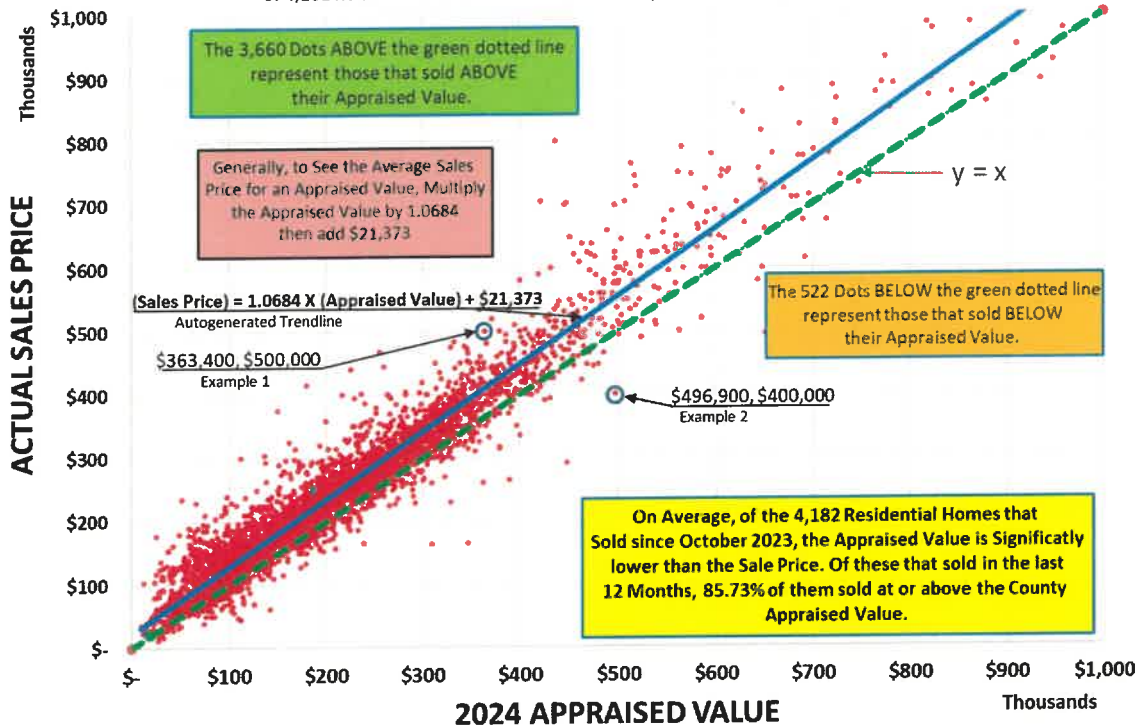
HCR5011 is assuming the appraiser process is like the upper right target as if the appraiser is off most of the time in a way that raises property taxes on most property owners or that they are motivated to error on the high side. Fundamentally, that idea is flawed because the appraiser only determines how the tax burden is divided between property owners. They do not set the budget.

In actual target practice, the way to get to the bottom right target is to improve the equipment and technique. Longer barrel, control breathing, hand loading the ammo, and compensate for wind, pressure, and temperature: these are the methods to become a more precise and accurate shooter. The same is true for the appraiser. They are understaffed, underpaid, rushed, and yet we expect perfection.

The next graphic is 100% of the home sales in Sedgwick County for ONE YEAR. That's 4,182 homes. The County Appraised Value is on the X-Axis and the Sales Price is on the Y-Axis. Most of the homes sold above their appraised value (87.6% sold above their appraised value). The rest, about 1/8th of them, sold below their appraised value. These are the ones that we are concerned about.

Appraised Value Vs Sale Price

of 4,182 homes that sold in the last 12-months (Oct 2023 through Sept 2024)



Example 1 appraised at \$363,400 and sold for \$500,000. The appraiser's error was a benefit to this homeowner as their tax burden is lower than it should be to be fair.

Example 2 appraised at \$496,900 and sold for \$400,000. The appraiser's error caused this home owner to pay MORE than his fair share. This is why we have an appeals system and we always encourage people to seek an adjustment if their property is overvalued by the appraiser. These folks are understandably upset and are paying MORE than they should be.

SO, back to HCR5011.

This Constitutional Amendment will slow the impact of changes. That may benefit those that are experiencing property value increases (appreciation?) for any reason or those that have an arbitrary low appraisal that are seeing a coarse correction.

HOWEVER, there is a DOWNSIDE. For those properties that are currently overvalued or even those at 100% FMV, they are paying MORE of the Property Tax Burden because other taxpayers are paying LESS than their fair share because their appraisals are incorrect. The effect of HCR5011 will allow the correction to drive the assessment closer to FMV but that change will be intentionally slowed down by design. Averaging this change over multiple years delays the correct valuation which then causes an error in assessing the correct share of the tax burden to each property owner. As you know, the total tax levy is divided by all property owners based on their respective assessed value.

If one enjoys underpaying, there is someone else paying more than they should. This is inherently unfair and violates Art 11 of the Kansas Constitution.

SO, what is a better way? I am advocating for a new Tax Lid law, much like what we had in 2015. However, due to the exemption, with over 650 municipalities in Kansas, not one of them ever went to a public vote because the Public Safety Exemption provided a way around that requirement.

The Problem is not the appraiser process (although there are improvements we can make to tighten the dots on the target). The real problem is we spend too much. None of these proposals gets to the issue of Spending. We should put the voters back in control of the size and scope of Government. If the people vote NO, then we have a mandate to cut. And yes, that may impact Public Safety Services. But people understand this and the real question is, do we trust our voters to have the control of the size and scope of their government?

And finally, unlike most states, in Kansas, we have eliminated many sources of revenue that used to fund parts of local government. We have allowed Property Taxes (and some sales taxes) to fund virtually everything being provided by local government. If people wonder why the property taxes are so high in Kansas, this is part of the answer. Secondly, we do a lot. People expect a lot. We chum the waters for more and more spending by trying to use government as the solution to every problem under the sun. We need to redefine the core mission and core function of government and say NO to many things we have talked ourselves into addressing with tax dollars.

In the end, our problem is not the appraisal process. If either SCR1603 or HCR5011 were to pass, it **WILL** have unintended consequences and will not do anything whatsoever to address the size and scope of government. It does not establish any way for the taxpayers to get control of their government.

The following graphs show Sedgwick County Property Tax Mill Levy Rate History, the Levy History, and the factors that could be used to limit the increases in spending to something that makes sense.

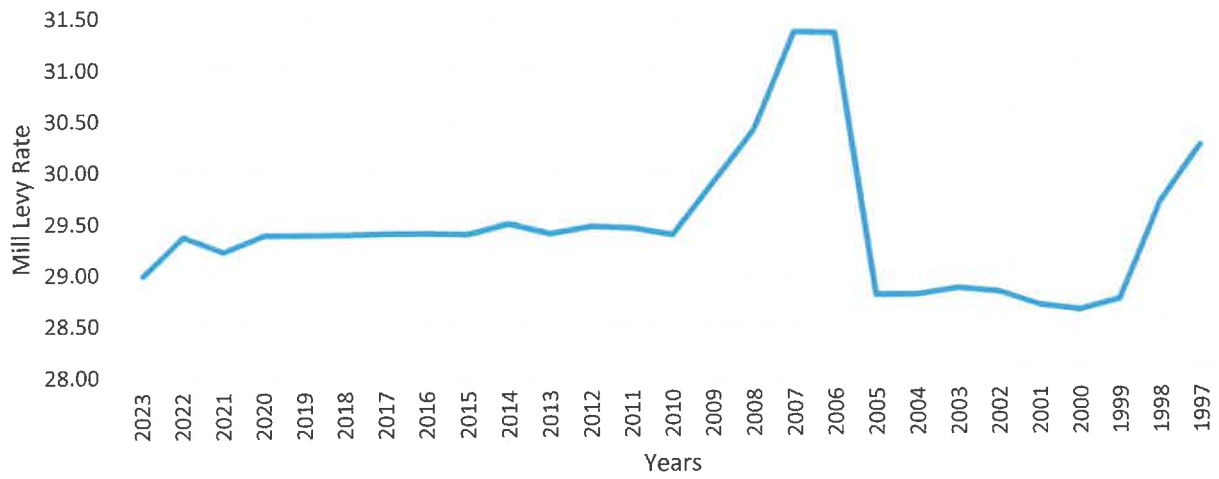
I urge you to NOT pass HCR5011 and take a fresh look at a real solution, namely a tax lid that empowers the people to set their own level of government services and spending.



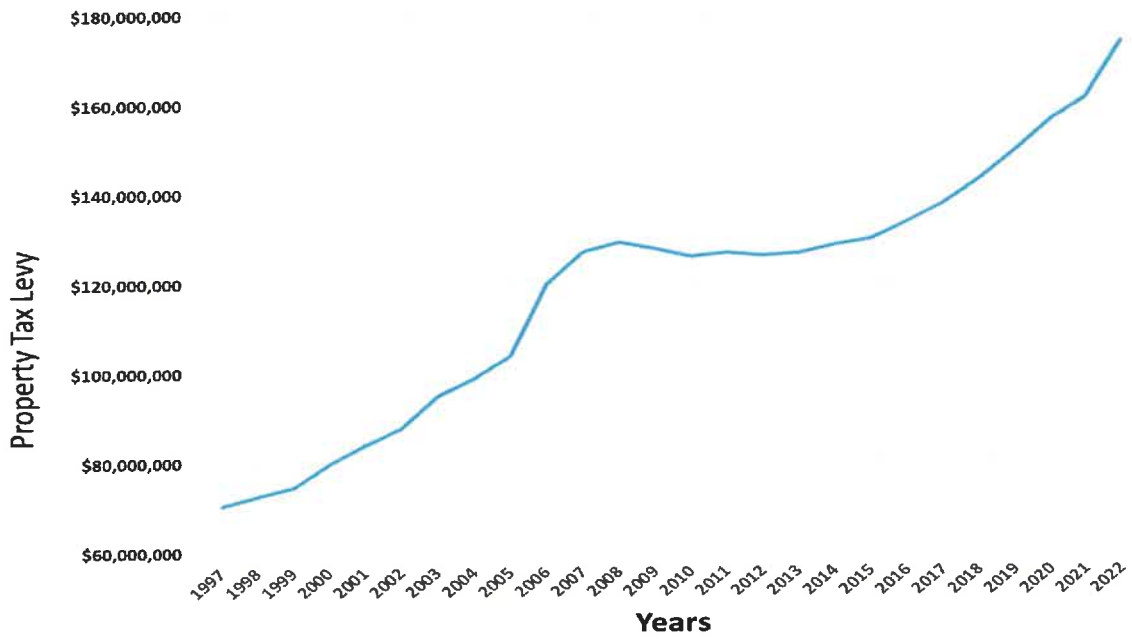
JIM HOWELL

SEDGWICK COUNTY COMMISSIONER, DISTRICT 5

Sedgwick Mill Levy Rate Over the Years



Sedgwick County Property Tax Levy since 1997



Sedgwick County - Tax Change Since 1997

