



January 16, 2025

Nathan Kessler, Tax Policy Advisor
Kansas Action for Children
Verbal Opponent Testimony on SCR 1603
Senate Committee on Assessment and Taxation

Chairwoman Tyson and members of the Committee:

Thank you for the opportunity to provide testimony in opposition to SCR 1603. **This proposal to limit property valuation growth to 3% or less annually may seem like an effective way to combat rising property taxes, but in reality is a distortionary policy that is antithetical to free market economics.** If enacted, this measure would have severe consequences on the real estate market and population mobility in Kansas.

Kansas Action for Children is a nonprofit advocacy organization working to make Kansas a place where every child has the opportunity to grow up healthy and thrive. We work across the political spectrum to improve the lives of Kansas children through bipartisan advocacy, partnership, and information-sharing on key issues, including early learning and education, health, and economic security for families.

California enacted similar legislation in 1978 through a constitutional amendment called Proposition 13. This law limits assessed valuation increases to 2% annually except in the case of a transfer of ownership.¹ **While intended to address rising property values, the long-term impact locked homeowners into ownership of the residence while locking out subsequent generations of would-be homeowners.**

This distortion occurs because property taxes are tied to time of purchase instead of actual value, leaving residents unwilling or unable to move for fear of a substantial increase in their property tax burden. **By shifting the tax burden onto new property owners, the measure creates an incentive to move out of or avoid moving into the state.**

In a 2003 article criticizing California's property tax system, Warren Buffett tells of three properties he owns, two of which are in the same California neighborhood. This example offers a stark illustration of the distortionary impact of valuation growth limits. As seen in the following table, **despite a market value that is half that of the Laguna Beach property purchased in the 1970s, Mr. Buffett's property taxes on the adjacent property are five times as much – simply because he purchased it in the 1990s.** In Buffett's own words, "you can draw certain conclusions from that."²

¹ Division, R. P. (November 2, 2018). *Understanding proposition 13*. Office of the Assessor, Santa Clara County. <https://www.sccassessor.org/faq/understanding-proposition-13>

² Buffett, W. (November 3, 2003). *Warren Buffett's Response to the Journal*. The Wall Street Journal. <https://www.wsj.com/articles/SB106781932410265400>

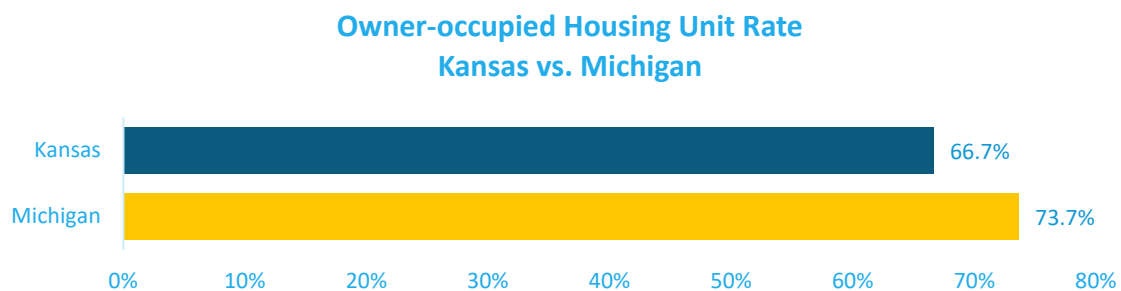
Property	Market Value in 2002	Property Taxes in 2003	Taxes as a Share of Market Value
Early 1970s Laguna Beach	\$4,000,000	\$2,264	0.06%
Mid 1990s Laguna Beach	\$2,000,000	\$12,002	0.60%
Omaha	\$500,000	\$14,401	2.88%
Source: Buffett, W. (November 3, 2003). "Warren Buffett's Response to the Journal." <i>The Wall Street Journal</i> . https://www.wsj.com/articles/SB106781932410265400			

An Alternative Solution

Circuit breaker laws offer a more effective and less problematic option for addressing high property tax burdens. An alternative to the proposed measure to limit valuation growth would be to consolidate and broaden the current circuit breaker laws in Kansas. This would efficiently deliver relief to the working- and middle-class Kansans who need it most without distorting real estate markets or squeezing local budgets.

Michigan offers a robust circuit breaker for residents struggling with their property tax bills. This program could easily be adapted for Kansas so that hundreds of thousands of residents receive the relief they need without jeopardizing the state's financial health. The success of Michigan's Homestead Property Tax Credit is reflected in the data.

Despite a slightly lower median household income and a modestly higher median household value, Michigan boasts an owner-occupied housing rate that is seven percentage points higher than in Kansas. As seen in the following chart, Michigan has an owner-occupied rate of 73.7% vs. 66.7% in Kansas.^{3,4} This is made possible partially because of the relief offered to low- and middle-income residents by Michigan's circuit breaker approach.



³ U.S. Census Bureau. (2023). *2023 American Community Survey 1-Year Estimates*.
<https://data.census.gov/table?q=michigan%20B25003>

⁴ U.S. Census Bureau. (2023). *2023 American Community Survey 1-Year Estimates*.
<https://data.census.gov/table?q=Kansas%20B25003>

Interfering in the free market by artificially constraining growth in assessed property values will cause problems down the road, as evidenced by California's failed Proposition 13. Reforming the Kansas Homestead Property Tax Credit is the superior option for providing real property tax relief without manipulating the Kansas real estate market and dooming future generations to substantial tax burdens based on nothing more than the year they were finally able to buy a home.

We urge you to reconsider moving forward with this legislation that would completely overhaul how homes are valued. If I can be of further assistance, please contact me at nathan@kac.org.