KANSAS LIVESTOCK ASSOCIATION

Since 1894

Date: March 17, 2025

To: Senate Committee on Assessment and Taxation
Sen. Caryn Tyson, Chair

From: Aaron M. Popelka, V.P. of Legal and Governmental Affairs, Kansas Livestock Association

Re: **HCR 5011 A PROPOSITION to amend section 1 of article 11 of the constitution of the state of Kansas; relating to property taxation; valuing residential real property based on the fair market value or average fair market value.**

Position: Neutral, In-Person

The Kansas Livestock Association (KLA), formed in 1894, is a trade association representing nearly 5,700 members on legislative and regulatory issues. KLA members are involved in many aspects of the livestock industry, including seed stock, cow-calf, and stocker cattle production; cattle feeding; dairy production; swine production; grazing land management; and diversified farming operations.

Thank you, Chair Tyson, and members of the Committee, for allowing the Kansas Livestock Association (KLA) the opportunity to share our views on HCR 5011. KLA understands the concerns of property owners who have recently experienced substantial property valuation increases on residential, and in some cases, commercial property. While a rolling average may take away some of the sharp annual changes, it must be implemented carefully to avoid adverse impacts on other classes of property. In addition, while a rolling average will diminish the volatility of valuation changes, it will not decrease the overall property taxes assessed annually by a local taxing authority.

Property tax liability is a function of a formula that multiples the appraised value of property by the assessment rate set in the constitution, and the mill levy. In 2023, on average across Kansas, local taxing authorities levied nearly 85 percent of the mill levy, while 21.5 mills were set by the state legislature in statute. The local mill levies are determined by local budget authority approved by local governing bodies. The county clerk receives the budget authority annually from the local taxing authorities and sets the mill levy to raise the revenue necessary to fully fund the budgets. Therefore, if total valuations decrease, the clerk will increase the mill levy to raise the necessary revenue even if local budgets do not change.

The primary reason KLA does not oppose the rolling average concept for valuing residential and commercial property for purposes of determining taxable value is because agricultural land has a similar rolling average mechanism. One major difference between the approach in HCR 5011 and that used for agricultural land, however, is the agricultural land rolling average controls every year. Agricultural landowners do not have the option to take the lesser of the

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average or the actual value of the property. The ability to use the lesser of the actual appraisal or the average does provide some concern for KLA because if a recession were to occur and dramatically reduce residential and commercial values, it could cause some unintended consequences of reapportioning tax liability. It is rare for residential property to lose value, however, and KLA understands the risk of the above scenario is slight. We would recommend removing the lesser of alternative, but it is not enough for KLA to oppose the resolution if it were to remain.

An average can provide more predictability in terms of taxable value, but it should not be misunderstood to prevent higher property taxes. HCR 5011 will not prevent local taxing authorities from levying higher property taxes because the county clerk will adjust mill rates upward to compensate for any loss in assessed value until there is enough revenue generated to meet local budgets.

In addition, KLA is concerned about implementation of this resolution if approved by voters. Implementing legislation should ease into a rolling average to avoid short-term liability shifts onto agriculture land and personal property. This could occur if there is a sudden implementation of a long-term average that dramatically decreases the taxable value of residential property in the initial years of averaging approach, while the taxable value of other subclasses of property remains constant. Again, this is because local property taxes comprise nearly 85 percent of an individual's tax liability on average across the state. Local assessments are based on local budget authority and if the taxable value of effected subclasses of property decreases it will result in a higher mill levy causing other subclasses of property not subject to HCR 5011 to pay more. KLA recommends that implementing legislation should phase in the average by using a two-year average in year one, a three-year average in year two, a four-year average in year three, and so on until the desired number of years are incorporated into the rolling average.

KLA also believes that a valuation averaging approach is more appropriate than a valuation cap approach. The average retains actual appraisals to determine value and does not perpetually suppress values over time. Appraisals, under an averaging approach, still drive taxable value, just with a more gradual effect. Rolling averages can also more easily apply to new construction through the above-described phased average approach and transferability is not an issue because the average applies to all covered properties.

KLA appreciates the opportunity to submit its potential concerns with HCR 5011. KLA believes, if done correctly, the amendment can be implemented to avoid adverse impacts.