



To: Chairman Carlson and the House Taxation Committee
From: Randall Allen, KAC Executive Director
Date: March 5, 2012
Re: HB 2609

Mr. Chairman, my name is Randall Allen, representing the Kansas Association of Counties. Thank you for the opportunity to visit with you today and express our **strong support of HB 2609**, which would reinstate an important revenue sharing program to counties and other local governments which has been inactive since midway through State FY 2003.

The Local Ad Valorem Tax Reduction Fund, or LAVTRF, had its inception in 1938 when the State's sales and use taxes were enacted. According to statute, 3.63% of the total retail sales and compensating taxes credited to the State General Fund (SGF) are to be transferred to the Local Ad Valorem Tax Reduction Fund, for subsequent distribution to the counties, and to other units of local government excluding school districts. The LAVTR payments are specifically identified as a revenue source in local government budgets, and the payments offset what would otherwise be financed through local property taxes on a dollar per dollar basis.

The LAVTRF is one of three "demand transfers" or "revenue transfers" which direct, by statute, monies to local governments for local services, the other two being the City-County Revenue Sharing (CCRS) program and the Motor Carrier Property Tax portion of the Special City-County Highway Fund.

If the formula in statute were allowed to work as intended, the LAVTR would enable a transfer of an estimated \$70 million annually to counties and other local governments, for purposes of tax relief. In FY 2000, actual transfers were \$57.903 million, and that was the last year that the monies flowed at the level equaling 3.63% of the State's sales and use tax receipts. Both before FY 2000, and for a couple years afterward, the Legislature capped the transfer at some arbitrary amount. And, as a consequence of state budget problems, the second half payment in FY 2003 was suspended in November, 2002. Since that time, no LAVTR payments have been made.

There have been numerous references during the Legislature to the "three-legged stool" of balanced state and local tax revenue among the income, sales and

property taxes. Regardless of whether you think the “three-legged stool” is or is not a representation of ideal tax policy in Kansas, the fact remains that the property tax is the most hated tax of all. The Local Ad Valorem Tax Reduction Fund (LAVTRF) is a mechanism to blunt the sharp edge of the property tax, and replace property tax dollars with sales tax dollars. Counties and most importantly, property taxpayers, have missed the LAVTRF payments since 2003, and we urge the Legislature to reinstate them, through HB 2609, or an appropriations bill, or by any means you determine. Thank you, Mr. Chairman, for the opportunity to speak today.

For additional information concerning this testimony, please contact Mr. Randall Allen, Executive Director, Kansas Association of Counties by telephone: (785) 272-2585, extension 302, or by email: allen@kansascounties.org