



STATEMENT OF THE KANSAS COUNCIL FOR
AFFORDABLE AND RURAL HOUSING
TO THE SENATE ASSESSMENT AND TAXATION COMMITTEE
REGARDING S.B. 376
MARCH 7, 2012

Chairman Donovan and Members of the Committee, I am Chris Wilson, President of the Kansas Council for Affordable and Rural Housing (KCARH). We appreciate the opportunity to provide this statement regarding S.B. 376. KCARH has been formed to serve as the Kansas state affiliate organization of the Council for Affordable and Rural Housing (CARH).

CARH is a national non-profit trade organization. For 30 years, CARH has served as the nation's premier association for participants in the affordable rural housing profession, including builders, owners, developers, managers, non-profits, housing authorities, syndicators, accountants, architects, attorneys, bankers, and companies that supply goods and services to the industry.

In Kansas, there is a significant need for rural housing. It is an issue that arises in many discussions and areas of the state. For economic development to occur in rural areas, affordable rural housing is unquestionably a priority. The purpose of KCARH is to help foster and develop public-private partnerships and strategies to meet housing needs for future growth in rural Kansas.

Affordable housing is essential to families and to economic growth throughout the state. KCARH's mission also includes informing and working with policymakers at all levels regarding the importance of keeping housing affordable through good policy. As a result, we respectfully submit this statement in opposition to S.B. 376, which would remove the sales tax exemptions for labor costs in the building of homes. Under the exemptions, sales tax is paid on the cost of the materials in the home but not on the labor. Labor costs generally represent about 40% of the cost of a home.

So, for instance, for an average entry-level home costing \$95,000, the sales tax on labor at 6.3% would amount to an additional \$2394. On a home costing \$65,000, the sales tax on labor would amount to an additional \$1,638. That may not sound like a huge amount to add on to a \$95,000 or \$65,000 purchase or to add to a 30-year mortgage. But the truth is that it would mean that many Kansas families would not be able to purchase that home. A recent economic study conducted by economist Dr.

Elliot Eisenberg showed that, based on Kansas data, for every \$1000 increase in the cost of a home, thousands of Kansas families are priced out of being able to purchase the home. Dr. Eisenberg's study showed that for every \$1000 increase in price, 3,667 Kansas families would be priced out from purchasing a home. (Full copies of the study and data are available.)

In rural areas, often the only available housing stock needs refurbishing but may be made usable for families coming into the community. Accordingly, KCARH strongly supports retaining the current sales tax exemptions for labor costs in the construction, repair or remodel of a home. Manufactured homes are also excellent options for affordable and rural housing. Exemptions providing for amounts equivalent to the labor costs in the home are included in K.S.A. 79-3603 sections (p), (bb), and (ff). Those exemptions are removed in S.B. 376, and we encourage you to retain those exemptions currently in law.

Thank you for the opportunity to provide this information concerning S.B. 376.

State of Kansas Priced-Out Analysis

Area	Mortgage Rate	House Price	Monthly Mortgage Payment	Taxes and Insurance	Minimum Income Needed	Households That Can Afford House
Kansas	5.0%	\$95,000	\$483	\$163	\$27,686	802,341
Kansas	5.0%	\$96,000	\$488	\$165	\$27,977	798,674
Difference		\$1,000	\$5	\$2	\$291	-3,667
Kansas	5.0%	\$151,517	\$770	\$260	\$44,156	597,611
Kansas	5.0%	\$152,517	\$775	\$262	\$44,448	594,288
Difference		\$1,000	\$5	\$2	\$291	-3,323
Kansas	5.0%	\$253,473	\$1,288	\$435	\$73,869	332,259
Kansas	5.0%	\$254,473	\$1,293	\$437	\$74,160	330,008
Difference		\$1,000	\$5	\$2	\$291	-2,251