



**To:** Senate Committee on Assessment and Taxation  
**From:** Nathan Eberline – Associate Legislative Director & Legal Counsel  
**Date:** March 8, 2012  
**Re:** Senate Bill 409

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Thank you for the opportunity to testify in support of Senate Bill 409, which would reinstate an important revenue-sharing program to counties and other local governments. The Local Ad Valorem Tax Reduction Fund, or LAVTRF, had its inception in 1938 when the Legislature enacted the State's sales and use taxes. The program serves to offset increases in property taxes, but it has been inactive since midway through State FY 2003.

According to statute, Kansas is to transfer 3.63% of the total retail-sales and compensating taxes from the State General Fund to the Local Ad Valorem Tax Reduction Fund. The funds are then meant for distribution to the counties and other units of local government excluding school districts. Local-government budgets specifically identify the LAVTR payments as a revenue source, 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" that statutorily direct monies to local governments for local services. The other two are the City-County Revenue Sharing (CCRS) program and the Motor Carrier Property Tax portion of the Special City-County Highway Fund.

If the LAVTR formula in statute were allowed to work as intended, it would enable a transfer of an estimated \$70 million annually to local governments for purposes of tax relief. In FY 2000, actual transfers were \$57.9 million, and that was the last year in which the funds flowed at 3.63% of the State's sales- and use-tax receipts. In the years surrounding FY 2000, the Legislature capped the transfer to save state funds, and—for the same fiscal reasons—the Legislature suspended the payments in November of 2002. Since then, the Legislature has not made any LAVTR payments.

300 SW 8th Avenue  
3rd Floor  
Topeka, KS 66603-3912  
785-272-2585  
Fax 785-272-3585

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Attachment # 4

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 the three-legged-stool approach is an ideal representation of tax policy in Kansas, the fact remains that the property tax is the most detested tax of the three. 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 SB 409 or an appropriations bill. Despite the disdain for property taxes, those funds provide the essential services most used by Kansans. This bill will help Kansans at the local level where it is most needed, and we urge you to vote in favor of SB 409. Thank you for your consideration.