



To: Senate Assessment and Taxation Committee

From: Nathan Eberline – Associate Legislative Director & Legal Counsel

Date: February 26, 2013

Re: Senate Bill 165 (opposing additional sales-tax exemptions)

Senate Bill 165 has potential to cause significant harm to counties in Kansas. If fire, wind, or calamity destroys a landowner's property between January 1 and August 15, the landowner may have property taxes eliminated for up to three years. If the Board of County Commissioners finds that calamity has destroyed or substantially destroyed the landowner's property, the BOCC must abate or credit property taxes to the landowner. The effect is that counties would lose relied-upon revenue at the time when it is most needed. KAC consequently opposes this bill.

Though people are the core of strong Kansas communities, it is the infrastructure of local government that helps create a safe and maneuverable environment for people to call home. When disaster strikes, local government expels great effort to ensure Kansans continue to function in safety—both by providing law enforcement, fire protection, and EMS and by ensuring people can travel the roads as soon as possible. It is local tax dollars that enable local government to act, and eliminating dollars in the middle of a budget year will create uncertainty and ineffectiveness in the services that Kansans expect from counties.

Though these numbers do not have the concrete nature of lost property-tax revenue, the Kansas Association of Property and Casualty Insurance Company ("KAPCIC") and the Kansas Insurance Department provide some figures that should shape the evaluation of SB 165. In 2012, according to KAPCIC, one company had 16 total losses last year where insurers paid out \$1,229,205.00. This is just one example from portion of the State's \$400,335,000.00 in property damage due to weather-related losses. Though the figures do not reveal how many of these storms would constitute full or substantial property-tax elimination, it certainly suggests counties would be without a major portion of expected revenues. The taxes paid on these properties would no longer serve as revenue for local governments, and both services and budgets would falter.

Kansas law already allows for local governments to negotiate with property owners on taxes. This bill takes it a step further and mandates abatement for up to three years if there is a finding that calamity has destroyed a property. KAC maintains that neighbors can work out an equitable solution when destruction occurs. The alternative in SB 165 imposes a mandate with potentially far-reach effects. We subsequently ask you to oppose SB 165. Thank you for your consideration, and please let me know if KAC can provide additional information.