JOHNSON COUNTY
KANSAS
Treasury & Financial Management

111 S. Cherry Street, Suite 2400
Olathe, Kansas 66061

BEFORE THE HOUSE COMMITTEE ON TAXATION

Thursday, February 4, 2016

House Bill 2377

Testimony of Thomas Franzen, CTP, CPFO
Johnson County Treasurer & Finance Director

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to testify on behalf of Johnson County and the Kansas County Treasurers Association as a member of the Legislative Committee in opposition of HB 2377.

Johnson County and the Kansas County Treasurers Association do not support the passage of HB 2377. This bill would establish a property tax averaging payment plan as well as create an installment payment plan. We recognize that both the property tax averaging payment plan and the installment payment plan implemented by this bill are at the option of each County. However, if these plans were implemented in Johnson County, it would negatively affect the cash flow and budgeting process of the state, county, schools and other taxing jurisdictions that we collect taxes on behalf of.

The property tax averaging payment plan will not provide an accurate property tax rate as prescribed in Chapter 79, Article 18 of the Kansas Statutes Annotated. In many counties, home values typically appreciate every year, thus if we calculated an average tax payment amount from the current and previous four tax levy years, we would be collecting less in tax revenues than if we collected the currently prescribed levied tax calculation. Furthermore, we believe the bill as currently written would allow the majority of residential homeowners in Johnson County to qualify. This bill has no limitation as to populations that may be living on fixed incomes.

The state, county, schools and other taxing jurisdictions would receive less property tax revenues under this bill. Given a full adoption of the property tax averaging payment plan in Johnson County among residential property owners, this bill would have a significant detrimental fiscal impact on the amount of property taxes collected. In Johnson County, our estimates are a deferment of tax revenue for all our taxing jurisdictions of $68 Million in the first year.

The passage of HB 2377 and corresponding allowance of a tax averaging payment plan and/or a tax installment plan would require counties to incur additional costs to enhance and/or purchase additional computer software systems and add staff to track the plans. Additional costs would also be incurred in mailing notices or contacting customers who do not follow the payment plan.

This bill also creates a property tax installment payment plan that divides the taxes due into twelve monthly installments. Per K.S.A. 79-2004, taxpayers currently have the opportunity to pay property taxes in half installments due in December and May each year. The majority of our residential real estate taxpayers pay 1/12th of their annual property taxes each month into escrow through their mortgage payment. Taxpayers that do not have a mortgage on their home have the ability to work with their financial institutions or credit lending agency to achieve a similar result. Additionally, County Treasurers, through current law, can provide support to taxpayers through payment plan options and by accepting partial payments on delinquent real estate and personal property taxes under K.S.A 79-2024.

In summary, there are significant detrimental financial, administrative, and budgeting impacts to Johnson County under this proposed legislation. We ask for your support to not move this legislation forward from committee. Thank you for your consideration.