



Since 1894

To: House Committee on Taxation
Rep. Steven Johnson, Chair

From: Aaron M. Popelka, V.P. of Legal and Governmental Affairs, Kansas Livestock Association

Re: **HB 2424, AN ACT concerning property taxation; relating to cities and counties, approval of budgets with increased property tax revenues, election requirements, exception for certain employee benefits.**

Date: May 9, 2017

The Kansas Livestock Association (KLA), formed in 1894, is a trade association representing nearly 5,200 members on legislative and regulatory issues. KLA members are involved in many aspects of the livestock industry, including seed stock, cow-calf and stocker cattle production, cattle feeding, dairy production, swine production, grazing land management, and diversified farming operations.

Thank you, Chairman Johnson and members of the Committee, my name is Aaron Popelka and I am with the Kansas Livestock Association (KLA). KLA opposes HB 2424, which would effectively remove the property tax lid on one of the largest expense centers of local government. KLA Policy Resolution #1 states, in part: "The Kansas Livestock Association supports local government funding through the use of sales and/or income tax rather than property taxes." In addition, the KLA Board of Directors voted to oppose any attempt to repeal the property tax lid at our annual legislative meeting in February.

HB 2424 seeks to remove the Consumer Price Index (CPI) limitation on expenditures for employee benefits. This would essentially render the property tax lid useless for a significant budget item. Kansas farmers and ranchers are also facing cost increases for things like health insurance, but unlike government, cannot simply ask their cattle or crops to generate more money. Instead farmers and ranchers must make difficult decisions - cutting benefits, increasing health insurance deductibles, making employee salary adjustments, or reducing other cost centers. This standard should not be different for local government. Local government should not have a blank check to increase taxes every time the cost of employee benefits increases. It should also be noted the CPI includes health care costs in its formula.

Agriculture, unlike other businesses, is entirely dependent on its largest asset category, land. In the last six years, property tax liability has increased on agricultural land approximately 112 percent (for additional information on property tax increases on agricultural land, refer to KLA testimony, March 16, 2017, on HB 2376). In addition to steep tax liability increases, net farm income is projected to be negative for most Kansas farms and ranches in 2017.

KLA is also concerned that HB 2424 is being considered at a time when other property tax increases are being discussed by some legislators to fund K-12 education. As stated in our policy, KLA opposes any increase in property taxes to fund local government, including schools. If HB 2424 were to be adopted and if the legislature were to adopt a statewide mill levy increase to fund education, the result would be devastating to farmers and ranchers struggling through one of the more difficult economic times in recent history. Unlike an income tax, property tax is levied on an agricultural operation regardless of net income. As Kansas agriculture enters a year of projected negative net farm income, a property tax increase simply adds to the projected net losses.

Thank you for the opportunity to appear before the Committee. KLA asks the Committee to reject HB 2424 or any other attempt to weaken the property tax lid put in place by the Kansas legislature last year.