



Since 1894

To: House Committee on Taxation
Representative Steven Johnson, Chair

From: Mike Beam, Sr. Vice President

Re: **Opposition to House Bill No. 2740, increasing mill levy for school district state aid**

Date: March 6, 2018

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

The Kansas Livestock Association (KLA) membership has historically and repeatedly adopted policy resolutions calling for less reliance on property taxes for the financing of local and state governments, including the funding of K-12 education. This long standing angst with property tax increases makes us a strong opponent of HB 2740.

HB 2740:

- increases the current 20 mill property tax levy for education to 26.76 mills for the 2018-2019 school year, and
- increases the property tax levy for education to 32.82 mills for the 2019-2020 school year, and
- increases the property tax levy for education to 38.43 mills for the 2020-2021 school year

Trend for property tax increases

The factors influencing a taxpayer property tax bill include (a) valuation; (b) assessment rate; and (c) mill levy. The assessment rates for various classes of property have been fixed, for the most part, since the Kansas Constitution was amended in 1986. Property valuations tend to increase as market values for real property inflate and/or as new and additional properties are added to the property tax rolls. The Property Valuation Department (PVD) of the Kansas Department of Revenue posts a report on their web site claiming the total assessed value of major classes of property increased from \$14.6 billion in 1992 to \$33.18 billion in 2016. In addition, PVD reports the 1995 average county mill levy was 118.894 in 1996 and the latest report shows the county average mill levy was 135.925 in 2014.

So, if we look at the trend for increasing assessed valuations and increased mill levy rates it's clear why property taxes are so unpopular amongst our members specifically and for most Kansas taxpayers as well.

Property taxes yield the most revenue:

The Kansas Legislative Research Department’s KANSAS TAX FACTS (2017 Supplement to the Eight Edition) includes a table ranking the percentage of combined state and local tax revenue by sources. “General Property” provides the largest portion (34.18%) of combined state and local tax revenues, and this percentage has been increasing annually since FY 2013. Again, it’s not surprising to understand why many Kansans are agitated at the thought of increasing property taxes, which would be done so in a significant way upon the passage of HB 2470.

Trend for Agricultural land valuations and funding for education:

Legislators representing rural areas have likely heard from agricultural landowners about the significant increases in agricultural land valuations. While we believe the use-value appraisal of agricultural land is appropriate and defensible, we should not ignore the recent trend in increasing statewide assessed valuations of agricultural lands. The attached Chart #1 shows the 2006-2016 comparison to total assessed agricultural land valuation to the trend in the average rural mill levy. The table below is from data provided to us recently by PVD.

	2010	2011	2012	2013	2014	2015	2016	2017
Statewide assessed valuation of ag land	\$1.158 billion	\$1.180 billion	\$1.284 billion	\$1.447 billion	\$1.700 billion	\$1.974 billion	\$2.259 billion	\$2.555 billion
USD levy=20 mills	\$23.155 million	\$23.607 million	\$25.681 million	\$28.948 million	\$34.000 million	\$39.471 million	\$45.178 million	\$51.094 million
USD levy@26.76 mills								\$68.364 million
USD levy @32.82 mills								\$83.846 million
USD levy @38.43 mills								\$98.178 million

It’s important to note the preliminary data suggests the 2018 use-value valuations for agricultural lands will increase again, so the impact of increasing mill levy rates will further incense the landowner property tax payers and this jump would occur as net income slides because of supplies, uncertainty of export markets and drought conditions. The attached graph (Chart #2) shows the trends and projected net farm income for 2018, which is the opposite trend for the projected property taxes owed by Kansas agricultural landowners.

Conclusions:

- Property taxes are increasing
- Property taxes represent the largest source of local and state tax revenues
- Property taxes are collected each year, regardless of the ability of the taxpayer to make such payments

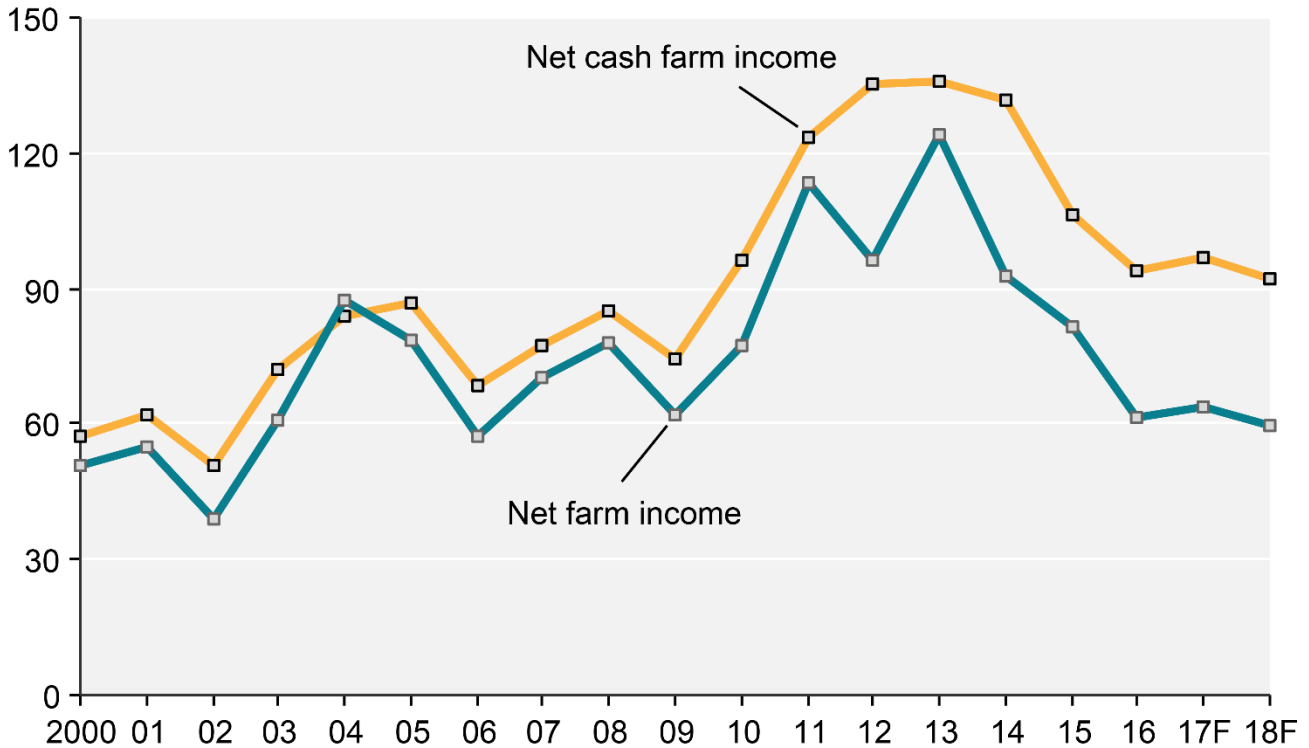
The Kansas Livestock Association is opposed to HB 2740 and urges the committee to reject this concept for providing increased funding for education.

Thank you!

Chart #2

Net farm income and net cash farm income, 2000-18F

\$ billion, nominal



Note: F = forecast.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Data as of February 7, 2018.

Net cash farm income includes cash receipts from farming as well as farm-related income, including government payments, minus cash expenses. Net farm income is a more comprehensive measure that incorporates noncash items, including changes in inventories, economic depreciation, and gross imputed rental income.

Chart #1 - KS Total Ag Valuation v. Avg. Rural Mill Levy

