

26 February 2018

RE: HB 2740 OPPONENT WRITTEN TESTIMONY ONLY

In Opposition

Dear Chair Johnson and Members of the Committee:

I am writing you today to ask that you Oppose HB 2740, a bill that would raise the Property Tax Levy statewide for school funding.

My name is Gary Oborny and I am the owner of a commercial real estate development and management company, Occidental Management, Inc., with over 1.4 million square feet in Wichita and Overland Park, Kansas and we provide office, retail and industrial space to over 250, primarily small, business tenants.

Levying additional ad valorem tax on commercial properties within school districts in which I currently own property, would add an unfair and overly burdensome additional cost to businesses at our properties. Property taxes for commercial real estate properties already account for 2.2 times the amount that is paid in by residential property owners. On average, our tenants pay \$3.50 per square foot for taxes alone, which for a tenant with 3,000 square feet of leased space, equates to \$10,500 per year in property taxes alone. Since property taxes are passed through to tenants as part of the operating expenses of the property, the result of this legislation on the already highly taxed businesses would pose a crippling cost increase that will likely impede the sustainability and growth of businesses at our properties.

This bill will severely affect our State's ability to attract and retain businesses to retail shopping areas, industrial complexes and office buildings. Kansas already has the 7<sup>th</sup> highest property tax rates in the country and by passing this additional tax provision, it will severely inhibit our ability to continue to operate and develop our commercial projects, which already carry large increases in property taxes as we spend capital to build, renovate and open businesses in our developments. Increased tax costs to tenants, the majority of which are small business owners, will negatively affect their ability to operate and grow their businesses in an already challenging environment.

I would suggest finding other funding alternatives to meet adequate funding levels for our schools. One of which, would be for the State to adopt legislation on the fair collection of sales tax on e-commerce transactions. This issue is being heard at the federal level in the South Dakota v. Wayfair case, which is going before the Supreme Court. Kansas can and should act on its own accord to collect sales tax from companies who sell products online in our state, thereby creating a level playing field between "bricks and mortar" businesses and online based businesses. This type of fair consumption tax will provide funding for schools without negatively impacting businesses operating in Kansas who are already paying heavy property tax burdens.

I ask you to oppose HB 2740. Please do not burden small businesses with this additional ad valorem tax. Thank you for the opportunity to submit testimony.

Respectfully,



Gary Oborny  
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