



Patrick Vogelsberg, JD  
Vice President of Governmental Affairs  
Kansas Association of REALTORS®  
3644 SW Burlingame Rd.  
Topeka, KS 66611  
(785)845-0988 (Cell)  
Email: patrick@kansasrealtor.com

To: Senate Committee on Assessment and Taxation

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Subject: Support for restoration of mortgage interest and property tax deductions.

Hon. Chair Tyson and members of the Senate Taxation Committee:

On behalf of the Kansas Association of REALTORS® (KAR), thank you for the opportunity to provide some written comments regarding SB 188. While KAR is neutral on SB 188, KAR does support restoring the mortgage interest (MID) and property tax (PTD) deductions if the Kansas Legislature increases individual income tax rates.

KAR represents over 8,500 members involved in both residential and commercial real estate and has advocated on behalf of the state's property owners for over 95 years. REALTORS® serve an important role in the state's economy and are dedicated to working with our elected officials to create better communities by supporting economic development, a high quality of life and providing affordable housing opportunities while protecting the rights of private property owners.

SB 188 would make several amendments to Kansas income tax law. Significant for Kansas individual income taxpayers are the changes in rates. K.S.A. 2016 Supp. 79,110(1)(E) and (2)(E) would be amended under SB 188 to create three individual income tax. Notable is the reinstatement of a top bracket which would impose a 6.45% income tax rate on incomes over \$35,000 for single filers and \$70,000 for married couples filing joint returns.

As way of background, during the 2013 legislative session, the Kansas Legislature enacted HB 2059, which made a number of significant changes that this committee has been reviewing this session and is well aware of. Of the changes, were systematic reductions or "haircuts" to the historic deductions for homeowners and property owners – MID and PTD – which were intended to offset reduced income tax revenues from declining rates. Under 2013 HB 2059, MID and PTD deductibility would proceed as follows: 100% in tax year 2012, 70% in tax year 2013, 65% in tax year 2014, 60% in tax year 2015, 55% in tax year 2016, 50% in tax year 2017 and 50% in tax year 2018. The intent was that as individual income tax rates stepped down, the MID and PTD would as well. This was a hard fought alternative to immediate loss of these important deductions. Tax legislation passed in 2015 accelerated the haircuts to 50% starting in tax year 2015, where both deductions currently stand.

SB 188 would keep in place prior income tax reductions for those making under \$35,000 (single) and \$70,000 (married), but return to 2012 rates for those over these thresholds. However, SB 188 fully restores the federal deductions, including MID and PTD, under Section 4 by amending K.S.A. 2016 Supp. 79-32,120(a)(5). Without restoring the deductions, SB 188 would have some Kansas taxpayers incur an income tax burden higher than 2012 and before. As such, KAR is appreciative that in increasing individual rates, SB 188 also restores the full deductibility of MID and PTD.

For most Kansans, their biggest and most important investment is their home. The benefits of the MID and PTD are a major part of that investment and help make homeownership more affordable for middle-class Kansans. As the Senate Assessment and Taxation Committee considers various tax scenarios, KAR would simply ask that any consideration of increases in individual rates during the 2017 session include restoration of the MID and PTD.

Thank you for your time and consideration of this important matter to Kansas REALTORS®.

Respectfully submitted,

Patrick Vogelsberg, JD  
Vice President of Governmental Affairs  
Kansas Association of REALTORS®