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To: Senate Assessment and Taxation Committee
Date: March 6th, 2018
Subject: Opposition to SB 400.

Honorable Chairwoman Tyson and members of the Senate Assessment and Taxation Committee:

On behalf of the Kansas Association of REALTORS® (KAR), thank you for the opportunity to provide some written comments in opposition to SB 400, which would add an exemption to K.S.A. 79-2925c.

KAR represents over 9,500 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.

REALTORS® believe that the private ownership of real property is the foundation of our nation's free enterprise system and we adamantly oppose any governmental actions that discourage or diminish the ability and capacity of Kansas citizens to own private property. Further, we maintain that every citizen should have the right to acquire real property with the confidence and certainty that the value of such property will not be unreasonably diminished by governmental action, including excessive taxation.

REALTORS® believe that real estate is burdened with an excessive share of the constantly increasing cost of state and local government. While we realize the importance of many programs funded through property tax revenues, we believe tax revenues should be equitably collected from a variety of sources and encourage taxing jurisdictions to consider the negative impact to the real estate market associated with any potential increase in property tax rates.

Our 2018 Legislative Policy Statements provides:

As citizens, REALTORS® realize the importance that many government programs play in creating a prosperous economic environment and quality of life for Kansas citizens. However, we join other citizens who have a continuing concern with the increasing cost of government programs and the overlapping of services and associated increase in costs among the local, state and federal government. **Accordingly, we urge local and state governments to take immediate steps to eliminate redundant and duplicative programs and services, eliminate wasteful spending on unnecessary items and reduce the increasing burden of state and local taxation.** Furthermore, REALTORS® support policies that give citizens a greater voice in

decisions impacting their tax burden. As such, government leaders should put calls for increases in revenue to a public vote.

SB 400

KAR supports K.S.A. 79-2925c and does not generally support opening this law up for amendments that would add to the existing 15 exemptions. SB 400 is a mirror of HB 2626 which was heard in the House Taxation Committee on February 13, 2018 and KAR testified in opposition. After the hearing, KAR had discussions with stakeholders who were proponents and efforts were made to find common ground.

Initially, we questioned the need for an exemption to deal with the dissolution of taxing entities. We are aware taxing entities dissolve from time to time, however the occurrence appears to be rare and not deserving of an exemption under K.S.A. 79-2925c. However, as referenced in our Legislative Policy Statement, KAR believes that local taxing entities should be encouraged to take steps to eliminate redundancies and exploit efficiencies wherever possible. With this in mind, KAR requested that the provision of HB 2626 be amended to ensure that a local government could not increase its mill levy beyond what was previously being levied by the dissolving entity.

A new bill reflecting this compromise, HB 2755, was introduced and heard by the House Taxation Committee on February 28th, 2018 and was passed out committee on the same day.

HB 2755 would amend K.S.A. 79-2925c by adding an exemption which provides that an election would not be required for:

Any tax levy increase as a result of another taxing entity being dissolved and all powers, responsibilities, duties and liabilities of the entity have been transferred to the city or county to carry on the function and responsibilities of the dissolved taxing entity, so long as the levy increase does not exceed the levy of the dissolved taxing entity.

This underlined part was requested by KAR and is the substantive difference between HB 2626 and HB 2755 (and SB 400). The net effect on a taxpayer from this situation should be zero. It allows the city or county to simply continue the mill levy previously imposed by the abolished taxing entity, but allows for efficiencies to be gained and redundancies to be eliminated through consolidation.

If the Senate Assessment and Taxation Committee chooses to advance SB 400, KAR would consider removing its opposition if an amendment was adopted that conforms SB 400 to HB 2755. However, this committee could also wait and take action on the matter if HB 2755 should advance to the Senate.

Conclusion

KAR would like to remind the committee that the goal of the K.S.A. 79-2925c is not a hard freeze on city or county budgets. The "tax lid" is not much of a lid when there are 15 exemptions that we are confident county and cities fully utilize. The current exemptions were put in place to accommodate genuine concerns of cities and counties. However, if city or county budgets exceed the inflationary allowance, all 15 exemptions are fully exploited, and the budgets still demand more revenue, we feel that your constituents deserve an opportunity to approve property tax increases requested through a majority vote at a public election as provided in the law. In certain instances, local control should extend to the public at large with a public election.

In closing, KAR would respectfully request that the Senate Assessment and Taxation Committee either not advance SB 400 or amend the bill to match HB 2755.

Thank you for the opportunity to provide the committee with written comments regarding the proposals set out in SB 400. I am happy to stand for questions at the appropriate time.

Respectfully submitted,

A handwritten signature in black ink that reads "Patrick Vogelsberg". The signature is written in a cursive style with a large, stylized initial "P".

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