

To: House Taxation

From: Trey Cocking, Deputy Director

Date: March 14, 2019

RE: Neutral Testimony on House Bill 2340

Mr. Chairman and Committee, thank you for the opportunity to present neutral testimony on HB 2340. HB 2340 would escrow property tax dollars above the previous year's levy from pending appeals on property subclass 1 of section 1 of article 11 of the Kansas constitution for residential property, if the amount of tax protested exceeds a \$500 increase over the previous year's tax. In addition, the bill would escrow property tax dollars above the previous year's levy from pending appeals on property subclass 6 of section 1 of article 11 for commercial property, if the amount of tax protested exceeds a \$1,000 increase over the previous year's tax.

We understand the concern addressed by this bill; however, we have concerns about how this bill would operate in practice. This bill would place the portion of the taxes in dispute in escrow without any notification to the city. Currently, cities are completely left out of the process and they only find out about a valuation issue when they are required to return funds to the county. This bill would not change that fact. It would be extremely beneficial for cities if this bill included a requirement that counties provide notification to cities and other taxing jurisdictions about pending tax appeals.

Before passing this bill, the League would request that the city portion of the taxes under dispute not be held in escrow since cities are not involved in the appraisal of real property. The legislation under consideration would affect both city and county funds which may eventually be refunded to the taxpayer. If this bill moves forward, we would ask the bill be amended to provide notice to cities of the amount being withheld and for what properties. In addition, we would ask for quarterly reports on the status of the appeals, and additional language clearly defining how funds are distributed once the appeals process is completed.