



**House Committee on Taxation**

**Testimony in Support of Senate Bill 294**

**Presented by Eric Stafford, Vice President of Government Affairs**

**Monday, March 16, 2020**

Mister Chairman and members of the committee, my name is Eric Stafford, Vice President of Government Affairs for the Kansas Chamber. The Kansas Chamber represents small, medium and large businesses of all industry segments across the state. The Kansas Chamber appreciates the opportunity to testify in support of Senate Bill 294, which is modeled off Utah's Truth in Taxation law which has been in place for more than 30 years.

For the last 16 years, the Kansas Chamber has conducted its CEO poll which surveys 300 business owners from across the state. Businesses are selected randomly from Dunn & Bradstreet with selection representative of the state of Kansas, including, geographical representation, industrial makeup, and the size of the employer. Some might be members of ours, they might not.

Each year we ask whether the sales tax, income tax and property taxes should increase, decrease or remain the same. This year's survey results were telling, and consistent with previous survey results.

	<b>Income Tax</b>	<b>Sales Tax</b>	<b>Property Tax</b>
<b><i>Increase</i></b>	<b>4%</b>	<b>7%</b>	<b>2%</b>
<b><i>Decrease</i></b>	<b>49%</b>	<b>49%</b>	<b>70%</b>
<b><i>Stay the Same</i></b>	<b>46%</b>	<b>42%</b>	<b>25%</b>

As you can see, there is a very strong sentiment in the business community to lower the property tax burden, especially considering commercial property is appraised at 25% valuation compared to 11.5% for residential property.

For too long, Kansas taxpayers have been subject to non-transparent property tax increases. Local governments have been allowed to automatically collect additional property tax revenue from valuation increases, and rarely have taxpayers seen an offset in the mill rate to keep their tax burden flat.

Senate Bill 294 would end that practice by requiring a reduction in the mill rate to offset any increase in property tax revenue unless public notice is provided to taxpayers and a vote of the governing body is taken. No new property tax revenue can be collected unless the governing body goes through the truth in taxation hearing process as prescribed in the bill.

In December, the Tax Foundation released its tax modernization report for Kansas' tax code. Included in their report was a suggestion to consider Truth in Taxation laws since parties on both sides had issues with the public vote requirement (tax lid).

Coincidentally, as Senator Tyson worked through a deep dive on property tax reform last summer and fall, we found out that Truth in Taxation legislation was something she had found as a possible option for the state. We appreciate her work, and for bringing SB 294 up for consideration this session.

Utah passed its Truth in Taxation law more than 30 years ago as taxpayers were upset with a rising property tax burden caused by increases in valuation. From the outside when reviewing websites of local government in Utah, they clearly and efficiently share information about the Truth in Taxation requirements and process. In Kansas, all we hear is “We can’t” or “This is an additional layer of bureaucracy.” Local governments in Utah appear to have embraced the change and have been able to accept the notification requirements of the law, and work *with* taxpayers, rather than against them.

We’ve also heard about how many local government units Kansas has compared to Utah and due to our high number of governmental entities, SB 294 would be difficult to implement. According to governing.com, here is how our two states compare:

	<b>Total Local Governmental Units</b>	<b>General Purpose</b>	<b>Special Districts</b>
Utah	619	279	340
Kansas	3,792	1,993	1,799

Kansas ranks 5<sup>th</sup> in the nation for the most local governmental units, but it’s not an excuse as to why SB 294 can’t work. We would argue it makes a stronger case for the need for SB 294. If all these taxing entities feel the need to raise property taxes over the previous year, simply notify the taxpayers and take a vote through a transparent process allowing for public input. It is not right that so many non-elected governing bodies have authority to raise property taxes with minimal public input or knowledge.

The Senate Tax Committee significantly amended the bill to satisfy concerns of opponents to the bill. The biggest amendment in our view was one offered by Senator Tyson to repeal the public vote requirement on property taxes (“tax lid”). As Senator Tyson stated, this is a good faith effort to work with opponents of the bill.

In closing, this law has proven effective for more than 30 years in Utah. We believe the accountability provided to taxpayers through this legislation offers the much-needed transparency to property taxes we were hoping to achieve through the tax lid. We appreciate the opportunity to testify in support of Senate Bill 294, and I am happy to answer any questions at the appropriate time.