



March 16, 2020

Chairman Johnson, and Members of the House Committee on Taxation, thank you for the opportunity to submit testimony on behalf of the Kansas Building Industry Association (KBIA) in support of SB 294, *but requesting an amendment related to new growth*. KBIA is an affiliate of the National Association of Home Builders (NAHB) with nine local building associations and more than 2,000 members across the State of Kansas.

SB 294, as amended by the Kansas Senate, would repeal the existing property tax lid and establish new notice and public hearing requirements for property tax proceedings. KBIA historically opposed the property tax lid and supported several exemptions to make it more workable. We are pleased that the Senate amended the bill to eliminate the existing tax lid and the required public elections, and are happy to support this measure as a result.

Despite our general support for this proposal we believe that the House should amend the language to allow for local taxing entities to properly account for new growth within their taxing districts. KBIA believes that the best way to partner with cities to foster orderly new growth of communities is to encourage new development, and ensure that new development helps to pay for itself while adding value to the community.

This committee heard a presentation earlier this year from former Utah Senate President Wayne Niederhauser on Utah's Truth in Taxation law. That law has been in effect since 1985, and form the basis for the bill you have before you. I would like to point out that Utah's law allows taxing districts to receive additional revenue from eligible new growth<sup>1</sup> year over year. And despite allowing for the capture of additional revenue from new growth the American Legislative Exchange Council has stated that "Truth-in-Taxation is Utah's most taxpayer-friendly law."<sup>2</sup>

You may wonder why a segment of the construction industry opposed the current tax lid without certain exemptions, and "why are builders asking the House to amend SB 294 to allow for additional revenue to be generated from new construction?" The answer is simple – like all businesses we like fairness and predictability. Absent an amendment to allow cities to generate additional revenue from new growth we believe new construction projects are likely to be subjected significant new or expanded development fees. New construction, be it residential, commercial, or industrial is critical to the ongoing success and prosperity of our communities,

1. Utah Code § 59-2-924

2. <https://www.alec.org/article/utahs-truth-in-taxation-for-property-taxes/>

but new growth brings with it additional expenses and responsibilities. Ongoing road and infrastructure maintenance as well as additional fire, police and other emergency services are not free. While the developer often pays for all, or a significant portion, of the original infrastructure the ongoing maintenance is typically the responsibility of the taxing subdivision.

Other conferees today may say that if a city or county needs additional revenue to provide for maintenance or additional services required by new developments then they can simply publish notice, have a hearing, and take a vote, and that is true. But it also ignores the political reality that we all live with every day: most politicians do not like raising taxes, and most constituents don't like getting their taxes increased. This is particularly true in election years. Due to this reality we see one of two things happening: (1) a city or county, rather than voting to increase mill levies, will instead create new fees directly related to development leading to significant upfront payments or monies deposited into escrow to pay for future maintenance. Kansas developers, both commercial and residential already pay significant fees in many cases. Adding additional costs will exacerbate our already significant problem of building and financing affordable housing for the citizens of Kansas; or (2) rather than taking annual votes to adjust taxes as needed, a city could hold revenues flat for a period of 10 years or more allowing critical infrastructure to degrade until it can no longer be ignored, and then trigger a large tax increase. This is exactly what happened in a number of Utah cities in recent years.<sup>3</sup>

In closing, we want to reiterate that we support SB 294. We believe it is a much more workable solution to help bring transparency to our property tax system, educating citizens while providing a process by which taxing subdivisions can raise additional revenue if necessary. We also believe that in order to encourage growth and prosperity of our communities that new development should help pay for itself – not through large one time fees or special assessments, but through predictable, transparent property tax. To that end KBIA asks that you amend SB 294 to allow for additional revenue from new growth to be captured, and that you support SB 294 as amended.

Thank you for your consideration.

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3. <https://www.sltrib.com/news/politics/2018/07/14/did-truth-taxation-law/>