



March 16, 2020

To: Chairman Johnson and the House Taxation Committee Members  
From: Courtney W. Christensen, City Administrator, City of Mission Hills, Kansas  
Re: Written Testimony in Opposition to SB 294

Dear Chairman Johnson and Taxation Committee Members,

Thank you for considering the sunset of the tax lid and the return of home rule in regard to Ad Valorem taxation to local elected officials. The tax lid has been difficult to work with as it is difficult to create a rule that is manageable for all sizes of cities with the diversity of services being provided at the request of their community's residents. We are pleased that the Senate has recognized the importance of eliminating the tax lid.

As with any new bill there continue to be issues with SB 294 that still need to be resolved.

- First, is the issue of transparency. We support the efforts of the Senate to share information with the residents but do not feel that the required information is in fact transparent. Because the "revenue neutral rate" is based upon reducing the mill levy when there is any growth in the valuation for any reason this hides the reason for the valuation increase giving tax payers the impression that it is only due to reappraisal when in fact often the growth in valuation is related to new construction, expiring abatements or annexation. These are important facts to share with our residents. Further, without including all of the required information for all taxing jurisdictions, whether held to the revenue neutral requirement or not, the notifications will be confusing and misleading resulting in anger when their tax bill comes in November and there are increases that they were unaware of prior to receipt of the bill.
- Second, is the issue of "Cost of Administration". The bill calls for a refund back to the revenue neutral amount, regardless of the amount, if an error is made in the process. This could easily result in refunds for such a small amount that the cost to the taxpayer to process the check is greater than the refund itself. The State of Kansas experienced this in the past when they made refunds to all taxpayers but failed to calculate the cost of processing the checks. This resulted in the State being in the red at the end of the refund process. A simple way to avoid this happening in communities across the State would be to allow the refunds to be shown as a credit on the next year's tax statement. Additionally, there needs to be some format as to how the costs for the mailings are calculated by the county clerks' offices and if more than one entity is included in the notice, how the expense will be prorated. Without foreknowledge of the formula for notification it will be impossible for a governing body to weigh their options appropriately. Furthermore, if the County is holding a "truth in taxation" hearing then they will be noticing every single resident of the county anyway and the cost of the notification should reside with the County.

- Third, is the issue of the meeting calendar and the need to make thoughtful decisions. Without changes to the current budget adoption calendar, the August 15<sup>th</sup> budget adoption date, a governing body would have to adopt its budget prior to, in many instances, holding the “truth in taxation” hearing leading the public to feel that their input was of no value. Allowing the budget to be adopted in November as recommended in SB 338 would avoid this scenario. The hearing could be held as late as September 15<sup>th</sup>, the amount of ad valorem property taxes could be certified to the county clerk by September 20<sup>th</sup> and the final budget could be adopted anytime thereafter but no later than a date set in November. This would allow the governing body time to listen to the comments and digest the input and run alternatives to the budget. Another requirement that makes thoughtful deliberation difficult is the requirement for the governing body to adopt the tax levy at the “truth in taxation hearing”. Once again, this will not allow alternatives to be explored. It seems that setting a future date to hold a public meeting to adopt the tax rate at the public hearing or to publish a date to hold that public meeting along with the date of the “truth in taxation” public hearing would be in everyone’s best interest.
- This leads to our last concern. The new statute keeps discussing that the city will set the mill levy rate and yet never in the history of our modern budget practices in Kansas has a governing body set the mill levy rate for their jurisdiction. Rather, a governing body determines how much revenue they need from the Ad Valorem Property Tax to help finance the next year’s budget. The actual mill levy is a formula based upon the final valuation numbers for that entity and the needed revenue. Since the valuation number given to the governing body changes a minimum of three times each year with the last valuation being provided in October, after the hearing and certification is required, it would be impossible for a governing body to set the mill levy. That responsibility needs to remain with the county. Governing bodies can and should continue to determine the amount of revenue needed from the Ad Valorem Property Tax and provide an approximate mill levy based upon the June 15<sup>th</sup> valuations provided by the County, acknowledging that the actual mill levy will be set by the County once the final valuation is known.

Thank you again, for considering the sunset of the tax lid and for exploring ways to better inform our fellow Kansans on the actions being taken on their behalf. Thank you also, for your consideration of the issues of concern with SB 294 as it is currently written and the possible solutions suggested above.