

Senate Tax Committee
January 11, 2024
Senate Bill 196

Marion County Commission
Testimony in Support

Chairman Tyson and members of the Committee:

Thank you for allowing the Marion County Commission to offer testimony in support of SB 196, which would restore the Kansas Legislature legal obligation to fund the Local Ad Valorem Tax Reduction Fund or LAVTR and provide true property tax relief.

Established under KSA 79-2959, LAVTRF is currently supposed to transfer 3.63% of state sales and use taxes to cities and counties. Revenue sharing in this manner dates back to the 1930's, with the current statutory framework having been established in 1965. At that time, the local share of certain cigarette revenue stamp taxes and cereal malt beverage taxes were taken from local government and rolled into the state general fund. A direct transfer was made into LAVTR to replace this loss of funds.

Established under KSA 79-2964, County City Revenue Sharing (CCRS) is supposed to transfer 2.823% of state sales and use taxes to cities and counties. CCRS was established in 1978 as part of an agreement between State and local governments regarding several different taxes. In particular, the local share of cigarette and liquor enforcement tax revenues was traded for the establishment of the CCRS.

This time tested partnership was effectively cancelled in 2003 when the Kansas Legislature made no fund allocation – a practice the Legislature has continued each year since. It is important to note that these monies are not “state aid”. The LAVTR and CCRS funds were part of an agreement between the state and local governments that involved the loss of revenue sources in exchange for the establishment of these funds.

Additionally, in 2006, the Kansas Legislature exempted new machinery and equipment (M&E) from property taxation. The final bill included partial reinstatement of the LAVTR fund because the M&E exemption would harm local budgets. Yet cities and Counties did not receive LAVTR payments.

Marion County's greatest funding challenge used to be funding infrastructure for safe and efficient transportation. Today our challenge is the continued flood of unfunded mandates, taking of control and restricting of revenue sources by higher levels of government. For 2022 in Marion County, the restoration of the agreement would equal \$591,356 or 3.5 mills in direct property tax relief. The Marion County Commission urges you to return the LAVTR funds to Counties. Furthermore, our Board is committed to pledge that every LAVTR dollar we receive will be directed to property tax relief for our citizens.

The Marion County Commission supports the return of LAVTR funds to counties for tax relief of our citizens and asks that the committee recommend SB 196 favorably for passage. Thank you for your time and consideration.

Marion County Commission