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To: Senate Education Committee

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Subject: **SB 450** -- Opposing the Ability of Local Public School Districts to Drastically Increase the Property Tax Burden on Property Owners without the Approval of a Majority Public Vote

Chairperson Schodorf and members of the Senate Education Committee, thank you for the opportunity to appear in front of you today on behalf of the Kansas Association of REALTORS® in opposition to the provisions of **SB 450**. Through the comments expressed herein, it is our hope to provide additional legal and public policy context to the discussion on this issue.

KAR is the state's largest professional trade association, representing nearly 8,000 members involved in both residential and commercial real estate and advocating on behalf of the state's 700,000 homeowners for over 90 years. REALTORS® serve an important role in the state's economy and are dedicated to working with our elected officials to create better communities by supporting economic development, a high quality of life, sustainable communities and providing affordable housing opportunities, while protecting the rights of private property owners.

Under section two in lines 16 through 22 on page four of **SB 450**, this legislation deletes the requirement that all resolutions authorizing the adoption of a local option budget (LOB) in excess of 30% of the state financial aid of the public school district be approved by a majority vote at a public election. In our opinion, the approval of this language by the Kansas Legislature is a property tax increase and would result in a significant property tax increase on Kansas property owners.

Under current law, the amount of ad valorem property taxes that can be levied by a public school district are capped at 31% of the public school district's total state financial aid and any increases above 30% of the public school districts' total state financial aid must be approved by a majority vote of the qualified electors of the public school district at an election. In our opinion, both these provisions in current law are good public policy and justifiably limit the property tax burden on Kansas property owners.

As currently drafted, the language found in section two on page four of **SB 450** would completely obliterate the protections for Kansas property owners contained in the school finance formula. Following the passage of this legislation by the Kansas Legislature, public school districts would essentially have a blank check to pass significant increases in the property tax burden on Kansas businesses and families.

As REALTORS® who are involved in recruiting new residents to our local communities on a daily basis, we realize the importance of quality public schools in building a high quality of life for Kansas residents. However, we also believe in the importance of a low tax burden (especially the property tax burden) on Kansas businesses and families that will help keep our state competitive in the search for new economic development and job growth opportunities.

*Sen Ed*  
*3-7-12*  
*Attach. 13-*

Unfortunately, now is exactly the wrong time for the Kansas Legislature to issue a blank check to local governments to increase the property tax burden on Kansas businesses and families in this struggling real estate market and challenging economic environment. Accordingly, REALTORS® believe it is an example of extremely poor public policy to increase the state's property tax burden on property owners at a time when many homeowners are struggling to stay in their homes due to a loss of employment or drastic change in economic circumstances.

Over the last decade, the property tax burden on Kansas homeowners and small businesses has literally exploded as property taxes have increased from roughly \$1.97 billion in 1997 to over \$3.8 billion in 2010, which is a 94% increase in just 13 years. This dramatic increase in the property tax burden is nearly triple the rate of inflation and 9.5 times greater than population growth over the same time period.

Unfortunately, we believe that this dramatic growth in the property tax burden stifles the economic prosperity of many small businesses in Kansas who have seen a consistent increase in the amount of their income that is devoted to paying their property tax assessments. Furthermore, we believe the increased property tax burden also makes it more difficult for Kansas families to make ends meet and is severely burdensome for many senior citizens and low-income Kansans on fixed incomes.

According to a detailed analysis by the Tax Foundation, Kansas currently has one of the most burdensome property tax systems for businesses with a ranking of 41<sup>st</sup> in 2012. Since the Kansas Legislature has started to discuss comprehensive income tax reform to improve the economic growth climate in Kansas for small businesses and individual taxpayers, REALTORS® strongly believe that the Kansas Legislature should also take action to improve the business climate through comprehensive property tax reform.

Furthermore, in the report entitled *Location Matters: A Comparative Analysis of State Tax Costs on Business* recently released by the Tax Foundation, Kansas ranks 47<sup>th</sup> overall in terms of the most favorable tax climate on mature business operations and 48<sup>th</sup> overall for newly-established business operations. Although the report concludes that the corporate income tax burden on these businesses is either average or even slightly below average, the report states that Kansas has one of the highest (if not the highest) property tax burdens on business operations across all 14 categories of businesses.

At an absolute bare minimum, if the Kansas Legislature decides to increase the current statutory cap on the ability of public school districts to levy property taxes for public education, your constituents deserve and demand an opportunity to approve any property tax increases imposed by a public school district through a majority vote at a public election. This procedure has been in place for many years without significant controversy in situations where a public school district would like to adopt a local option budget (LOB) that exceeds 30% of the state's financial aid to the district.

The proponents of this legislation would undoubtedly argue that the protest petition process contained in **SB 450** is sufficient to provide homeowners with the right to challenge the public school district's decision to increase their property tax burden. However, we would respectfully disagree and assert that the petition process is burdensome and difficult to understand for the average property owner who is primarily concerned with making ends meet in this challenging economic environment.

At the very least, we believe your constituents should have the right to approve any property tax increases imposed by a school district through a majority vote at an election. Although this process might seem to be more burdensome for the school district, we strongly believe this is necessary to ensure that Kansas families have an opportunity to carefully weigh the respective costs and benefits of a property tax increase.

For all the foregoing reasons, we would urge the members of the Senate Education Committee to strongly oppose the provisions of **SB 450** as it is currently written that could result in a significant property tax increase on Kansas property owners.