Statehouse News

January 13, 2024

Taxes on Tap

Thank you to everyone who testified in person, submitted written testimony, filled the room and watched on-line for the hearing on SB 196 at the Senate Assessment and Taxation committee.

The participation has made it much more difficult for legislative leadership to repeal the Local Ad Valorem Tax Reduction law. Instead of trying to amend the bill to repeal, my prediction is that Senator Caryn Tyson will simply not work the bill.

Those who witnessed the hearing likely noticed there was a touch of hostility in the room, especially from Senator Tyson. That's typical. Despite what she says about having a good relationship with County Commissioners, she frequently targets city and county governments with punishing legislation.

Here is the text of the testimony I delivered on behalf of the KCCA:

The Kansas County Commissioners Association represents elected officials from all 105 Kansas counties. That's 362 Commissioners who represent every Kansas resident. The group is diverse and bipartisan… Republicans, Democrats, Urban and Rural.

The Kansas County Commissioners Association supports Senate Bill 196 which restores the Local Ad Valorem Tax Reduction Act.

After 20 years of denying that critical funding to local governments, it is past time for the Kansas Legislature to follow the spirit of the law, keep the promise made decades ago and restore the traditional partnership between cities, counties and state governments.

From 2004 through 2023, local governments have lost about $2-billion in legally owed LAVTR revenues withheld by Kansas Legislature. Every dollar would have gone to off-setting property tax increases.

The money comes from sales tax collected by the state. Since 1937 the Legislature agreed to share sales tax dollars with local governments with the express purpose of reducing reliance on property taxes to pay for such services as police and fire protection, parks, streets, jails, elections and many other services county governments are required to provide.

Local governments gave-up the ability to impose certain local taxes in exchange for the state to collect those dollars and return a share of them. Going back more than 20 years the State of Kansas, struggling with massive budget shortfalls, began slashing millions of dollars intended for local governments every year. Those cuts now total billions of dollars.

LAVTR is not the only promised and legally owed revenues not being paid to cities and counties.

In addition to not sending the Local Ad Valorem Tax Reduction dollars, the Legislature has broken its commitments by not funding the City County Revenue Sharing Fund (CCRS) and the Special City-County Highway Fund (CCRS).

The total dollars owed but not paid to cities and counties since 2001 is more than $3.5-billion.
But those aren't the only legislative decisions which have impacted local property taxes.

In 2006, the Kansas Legislature repealed the property tax on commercial/industrial machinery and equipment. That decision shifted the tax burden of paying for police, fire, street repairs and other services onto homeowners and small commercial businesses. And to make matters worse, after only one year the Legislature broke its agreement with local governments to help ease the severe sudden loss of those tax dollars no longer being paid on machinery and equipment.

In 2014, the Kansas Legislature eliminated the Mortgage Registration Fee. That fee, which had been enshrined in Kansas law since 1925, paid for government services the banking and lending industry used. The revenue helped fund parks and recreation programs. Elimination of the Mortgage Registration fee was another tax shift on everyday taxpayers. It's cost Kansas counties millions in lost revenue.

At the same time, state lawmakers dumped more duties on counties to perform on behalf of the state. District courts, community corrections, mental health, register of deeds, vehicle registrations, elections and tax collections are all state duties performed and paid for by county taxpayers. It is a lopsided relationship.

Kansas residents will be better served if the traditional partnership between local governments and the state government is restored and we all once again work with each other to address the goal of lower property taxes. The traditional partnership between local governments and the state needs to be repaired and restored. We can start by passing Senate Bill 196 and restoring the LAVTR promise.

How LAVTR Would Offset Local Property Taxes in Select Counties

Allen:	*3.2 mills*
Andersen:	*2.7 mills*
Bourbon:	*4.5 mills*
Dickinson:	*3.0 mills*
Franklin:	*3.2 mills*
Geary:	*4.7 mills*
Johnson:	*2.3 mills*
Leavenworth:	*3.5 mills*
Labette:	*4.8 mills*
Montgomery:	*3.5 mills*
Miami:	*2.7 mills*
Neosho:	*4.3 mills*
Riley:	*3.7 mills*

Saline:	*3.3 mills*
Sedgwick:	*3.5 mills*
Shawnee:	*3.5 mills*

Fully restoring LAVTR statewide would offset property taxes by nearly 300 mills combined.

Tyson was trying to confuse the issue by saying the state reducing or eliminating part of the 21.5 state mill levy would provide a larger tax reduction. She was basing her numbers on cutting 1.5 mills off the state levy, or a $54-million allocation for LAVTR.

But the statute and SB 196 call for using the decades old formula of LAVTR based on 3.6% of sales and use taxes. That amount is $130-million. That's the number we've calculated the mill levy reduction on. That was the difference. We will continue to use the $130-million figure because that's what the statute and the bill state. The effort to only fund $54-million is cutting us short.

We may well have to compromise to the lower number, but for now we should keep using the higher amount.

Total Tax Plan Coming

In the 29 sessions I've advocated in the Statehouse, I have never seen a conference committee meet this early in a session. But the Tax committees have met twice and will meet again on Tuesday January 16. The three Senators and three House members negotiating a tax plan will use HB 2284 to assemble a full scale tax plan: income, property and sales taxes. It will counter the plan announced by Governor Laura Kelly this week.

The plan will have a 5.1% or 5.2% flat income tax, exempt social security payments from state income tax, immediately eliminate the rest of the state sales tax on food, increase the exemption on property tax and other possible changes.

Kelly has made it clear she opposes a flat tax because she believes it benefits wealthy taxpayers and does little for less affluent Kansans. Kelly wants to eliminate income taxes on Social Security, cut property taxes for schools, raise the standard deduction for income taxes, double the child care tax credit and provide a sales tax holiday for school supplies.

Look for the tax bill to hit the Senate floor as early as Wednesday. It will pass but will likely fall one vote short of a veto override like it did last year.

Veteran Property Tax

HB 2036 is set for two days of hearings this week in Senate Assessment and Tax. It would give disabled veterans property tax exemptions based on the severity of their disability. The way the bill is now written, it would erode the tax base, giving counties even less property to tax. It will especially hurt military communities.

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