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**Testimony on House Bill 2747  
House Taxation Committee  
February 15-16, 2012**

Mr. Chairman and members of the committee, thank you for the opportunity to testify before you once again. I'm Bernie Koch with the Kansas Economic Progress Council, a statewide not for profit organization of businesses, trade associations, chambers of commerce, and individuals.

I will not repeat my earlier testimony. Many of the things I said about House Bill 2650 also apply to this measure.

What's new is the diversion of revenues from the transportation program. We oppose it. Delaying the funding and thus delaying the program is a dangerous precedent. The 1989 program occurred because Kansas neglected the road system for many years and kept putting off dealing with it. The longer you delay, the more it costs.

I also wanted to speak with you about the impact of no income tax on property taxes. Representative Kathy Wolfe Moore asked me about the relationship between property taxes and income taxes last week and I've been thinking about that.

Thirty percent of all local and state taxes in Kansas are property taxes, according to a study by the Institute on Taxation and Economic Policy.

Five of the nine states without an income tax depend more heavily on property taxes for local and state government than Kansas. Wyoming is 37 percent, Florida is 37 percent, New Hampshire 61 percent, South Dakota 34 percent, and Texas local and state taxes make up 42 percent of the tax burden in that state.

There does seem to be a relationship between not having an income tax and property taxes. We have historically used the income tax as a tool to keep property taxes under control.

Over the past 25 years or so, we have had tremendous turmoil surrounding property taxes. People hate them.

- For many years, Kansas had a Local Ad Valorem Tax Reduction Fund and a County-City Revenue Sharing Funds as a way to hold down property taxes.
- After reappraisal and classification went into effect in Kansas in the late 1980s, the resulting wild property tax swings caused so much turmoil that a special legislative session was called in December of 1989.

- Elected officials took the brunt of the criticism. In the 1990 Republican primary election, Governor Mike Hayden had five challengers, including Wichita real estate executive Nestor Weigand, Jr., who ran because of property taxes. Governor Hayden won the primary with 44 percent, but he later lost the general election to Governor Joan Finney.
- Governor Hayden readily admitted the property tax changes caused by reappraisal were to blame for his loss. He called it “the kiss of death.”
- There was another impact of the property tax turmoil in that 1990 election. The Democratic Party won a majority in the Kansas House of Representatives for only the second time in 100 years.
- In 1992, faced with a school finance lawsuit, the legislature included as part of the financing increased income taxes along with sales taxes to buy down the property tax statewide. That was just 20 years ago
- Another big property tax related event occurred in 1992. The legislature put a second property tax classification amendment on the ballot to deal with the unrest over property taxes. It passed.
- In the mid-90s, the anti-property tax sentiment was so strong, there was legislation to completely eliminate statewide property taxes for schools by increasing income and sales taxes. It was bipartisan and one of its authors was the Senate Majority Leader, Jerry Moran. Governor Graves became concerned about this loss of balance to the three-legged stool, so he issued an executive order creating the Governor’s tax equity task force to conduct a comprehensive review of the tax structure of the state.
- That report established the importance of maintaining the balance between sales, income, and property taxes. It stated:

**“The state and local tax system should be balanced and diversified. A diversified tax system offers a blend of economic tradeoffs. Because all revenue sources have weaknesses, a balanced tax system will reduce the magnitude of problems caused by over reliance on a single tax source. It will also result in lower rates on each tax and reduce the pressure of competition from other states that have lower rates for a particular tax.”**

So my points are these:

1. Kansans do not like property taxes. In fact, we have amended the state constitution eight times since statehouse concerning property taxes.
2. We have used the income tax to control the growth of property taxes.
3. The three legged stool is really designed to protect us from the property tax getting out of hand.

Thank you for the opportunity to appear today in opposition to House Bill 2747.