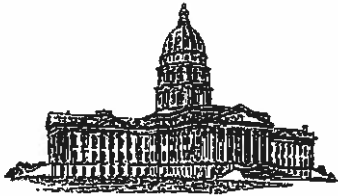


STATE OF KANSAS
HOUSE OF REPRESENTATIVES

PAUL DAVIS
REPRESENTATIVE 46TH DISTRICT
1731 INDIANA
LAWRENCE, KANSAS 66044
(785) 749-1942



STATE CAPITOL, ROOM 281-W
TOPEKA, KANSAS 66612
paul.davis@house.ks.gov
(785) 296-7630

TOPEKA
HOUSE DEMOCRATIC LEADER

**HOUSE COMMITTEE ON TAXATION
TESTIMONY IN SUPPORT OF HOUSE BILL 2609
PROVIDED BY PAUL DAVIS, HOUSE DEMOCRATIC LEADER
MARCH 5, 2012**

Mr. Chairman and members of the committee, thank you for the opportunity to testify in support of House Bill 2609, an act relating to the local ad valorem tax reduction fund.

As this committee is well aware, the most high profile issue of the 2012 Legislative Session has been tax reform.

If the Legislature is going to provide tax relief in 2012, it must be both fair and fiscally responsible. We must provide relief to those who have been hit hardest in this economic recession, but we must not do it at the expense of public schools and other investments that make our communities strong.

These guiding principles are what led us to the development of House Bill 2609.

According to the Kansas Legislative Research Department, middle class working families and Kansans who live on fixed incomes have watched their property taxes skyrocket 65 percent over the last decade, all while their incomes have remained stagnant or - in many cases - declined.

Additionally, a 2011 study by the nonpartisan Tax Foundation concluded that Kansas ranks 21st in favorability for individual income tax rates, 32nd for sales tax rates, and 41st for property tax rates. In other words, Kansas is in the bottom 10 of all 50 states for property tax competitiveness.

Finally, we must acknowledge the trickle-down effect of state budget cutting. Since 2008, the Legislature has cut well over \$1 billion from the state general fund. When state resources diminish, local units of government have no choice but to lean heavily on property tax revenue to make ends meet. Although mill levies are determined locally, the Legislature must acknowledge its share of the responsibility for the property tax crisis now plaguing Kansans homeowners.

All of these figures clearly indicate that property tax relief should be the focal point of the 2012 tax debate.

The Local Ad Valorem Tax Reduction Fund (LAVTRF) was established by the Legislature in 1938 for the purposes of transferring moneys to each of the state's 105 counties. Every taxing division receives

LAVTRF funds except school districts. Local units of government are then required to use the funding for reductions in the local property tax rate. No such transfer has been made since 2002.

House Bill 2609 will apply \$45 million to the LAVTRF in FY 2013 and \$45 million to the LAVTRF in FY 2014 to the LAVTRF. This bill will also leave the current law in place, which calls for transferring \$40.5 million to LAVTRF in FY 2015, and then \$54 million in FY 2016.

This is a simple, common sense proposal that will provide tax relief to every single Kansas property owner in a responsible way. I urge your support.

Thank you for your consideration.

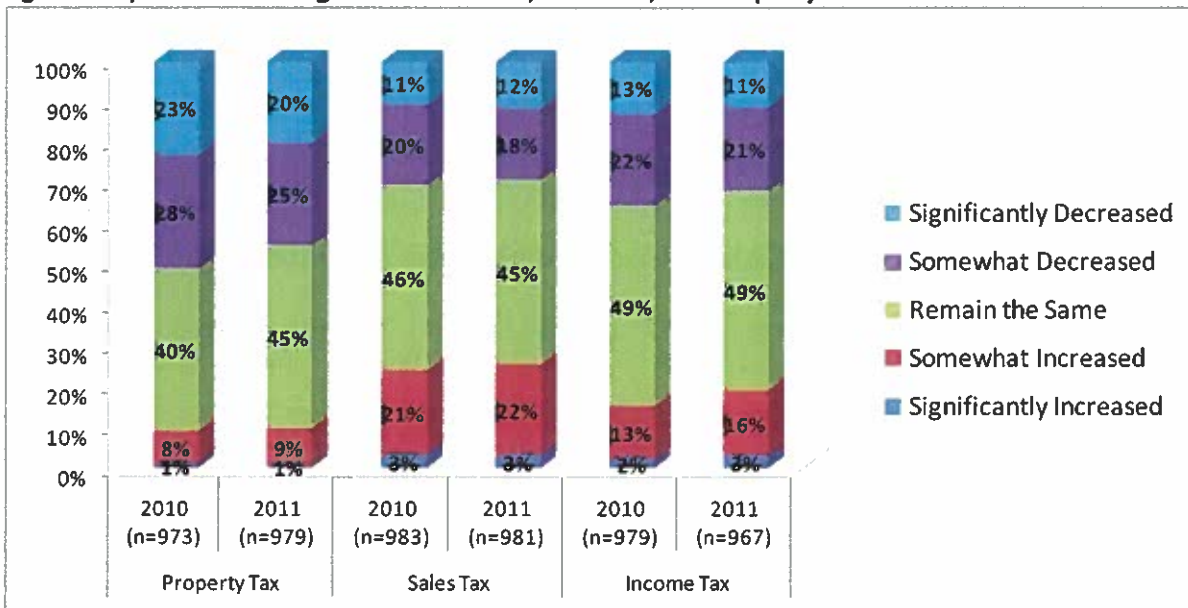
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Section 3: Taxes

Kansas has three primary revenue sources: income tax, sales tax, and property tax. Although the most commonly expressed preference was to leave all tax rates at their current levels, 19.1% of respondents thought that income tax should be significantly or somewhat increased. About a quarter (25.2%) of respondents thought that sales tax should be significantly or somewhat increased. Almost half (45.2%) of respondents thought that property tax should be somewhat or significantly decreased. Respondents' opinions in 2011 were not significantly different from those in 2010 (Figure 6).

Respondents' voting behaviors in November 2011 were significantly related with their opinions on sales tax changes. Respondents who voted in November 2011 were more likely to support a sales tax increase than those with who did not vote (Figure 7).

Figure 6: Opinions on Changes of Income Tax, Sales Tax, and Property Tax for the Years 2010 and 2011



Question: Kansas has three primary revenue sources: income tax, sales tax, and property tax. Thinking of the current Kansas economy, do you believe that each of the following taxes should be significantly increased, somewhat increased, remain the same, somewhat decreased, or significantly decreased?

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 "KANSAS SPEAKS 2011: STATEWIDE PUBLIC OPINION SURVEY" OCTOBER 2011