

Date: February 4, 2016

To: House Taxation Committee

From: Larry R. Baer  
General Counsel

Re: HB 2377  
Neutral Testimony with Comments

Thank you for allowing me to appear before you today and present testimony regarding House Bill 2377 on behalf of the League of Kansas Municipalities and its member cities.

As written, HB 2377 presents counties with two options to either establish a level pay plan for payment of property taxes or establish a monthly payment plan for property taxes upon qualifying residential property. The level payment plan is essentially based upon a 5-year rolling average. The installment plan provides for 12 even payments of taxes based upon the prior year's taxes to be paid between June 1 and May 10 of the following year.

Neither of the payment plans contained in HB 2377 should result in less property tax being collected in the long term. However, the League does still have some concerns that need to be shared with the Committee. These include:

- HB 2377 has the potential to decrease the amount of tax revenues collected under the average payment plan because in the early years the actual tax collected would reflect smaller amounts due under the 5-year rolling average.
- The actual impact of payment averaging will not be easily calculated, at least in the early years. Thus, the budgeting process could be challenging. This would be particularly challenging if the current tax lid limitations remain in effect because of the unknown impact of average tax payments on total dollars collected.
- In addition, the 5-year averaging may impact budgets in the short term if the city suffers a sudden, major loss in its tax base.
- While counties may opt in or out of either program, cities have no choice. They are required to follow the lead of the county.

While the League understands the reasoning and rationale behind HB 2377, the unknowns about the bill give us concern. Therefore, we ask that you give HB 2377 careful consideration when it is worked.

Thank you. I will stand for questions at the appropriate time.