



Testimony on HB 2377 – property tax installments, deferrals

The City of Wichita opposes House Bill 2377. This bill would impact the predictability of property tax cash flows to cities, making it more difficult for local government to fund the level of service our citizens expect. This concern is expressed in the fiscal note which states the bill “has the potential to decrease property tax revenues by allowing property taxes to be deferred... the bill would also decrease revenues to any local government that levies a property tax.”

Under current law, most property taxes are received by cities in January and in May. Under the bill, property tax payments could be received monthly, and in other cases, property tax amounts could be deferred. These deferred taxes could go on for years or decades. However, the service levels expected by city residents and the need to fund them are continual.

By deferring property taxes in a broad manner as proposed by this bill, many cities may be forced to consider raising property taxes to compensate for the unpredictability of potential deferral amounts. In addition, any deferral would in effect be an interest free loan from the taxing jurisdiction to the homeowner. Although any deferred amounts may eventually be received by the City, since the deferrals would end on the sale of property or the death of a property owner (two events which are impossible for City staff to estimate accurately), any deferred property tax amounts would not be an appropriate budgeted source for ongoing City costs such as Police and Fire protection.

The deferral could cause problems for homeowners, too. The deferral amount could be rather sizable, depending on how long a property-owner was eligible to participate. If a property received the deferral for many years, then the amount due upon sale of the property would likely be a considerable burden for either the homeowner or their heirs.

The City also believes this bill would provide a disincentive for new home construction. The deferral provisions in the bill are only applicable to homeowners living in a home with at least four years of property tax bills. In other words, residents purchasing a new home would have to wait until they had lived in that home at least four years. In addition, this bill would incentivize existing homeowners to increase the value of their current home (through remodeling or expansion) since any additional property tax on those improvements could be deferred. By extension, this would be a disincentive for new home construction.

Another consideration should be the public’s expectation that each citizen is responsible to pay their taxes, and that equity be preserved in the process. Each year when a list of delinquent property taxpayers is published, the public reacts with a common concern that some property owners who have not paid are receiving special treatment. Although the City does support the deferral of some taxes in certain circumstances – for example, special assessments for lower income residents – anything other than a targeted deferral program with specific eligibility would not be supported by the City of Wichita.