

To: House Taxation Committee, Representative Steven Johnson, Chairman

From: Steve McCloud, Kansas Farm Bureau

Date: March 6, 2018

Re: Opposition testimony to SB 2740- Increasing the statewide property tax levy for schools

Chairman Johnson and members of the Committee, on behalf of Kansas Farm Bureau (KFB) I want to thank you for the opportunity to provide testimony opposing HB 2740 today. KFB is the state's largest general farm organization representing more than 30,000 farm and ranch families through our 105 county Farm Bureau associations. KFB understands the difficult decisions legislators must make regarding funding K12 education. These are difficult decisions that will take significant study and dialogue to resolve. However, the funding solution for K12 education found in HB 2740 is not a solution that the agricultural community can support.

State and local tax revenues have slowly become more dependent on property taxes over the past two decades. In FY 1998, 28.1% of state and local tax revenue came from general property taxes. Also in FY 1998, 28.0% of state and local tax revenue came from sales and use taxes. Finally, 26.9% of state and local tax revenue came from income and privilege taxes in FY 1998. Smaller fees, such as motor fuel taxes and motor vehicle fees, made up the remainder of state and local tax revenue in FY 1998.

Comparatively, in FY 2017, 34.18% of state and local tax revenue came from general property taxes. Sales and income taxes made up 31.17% and 19.43%, respectively. Once again, the remainder of the revenue sources were generated by smaller fees and taxes. Admittedly, this percentage make up will likely be altered by the changes to the income tax rates in FY 2018. However, the trend is still noticeable. State and local units of government have become more and more reliant on property taxes to fund government functions. (*Source:* <http://www.kslegresearch.org/KLRD-web/TaxFacts.html>)

The increased reliance on property taxes to fund state and local units of government is felt especially hard by the property tax applied to agricultural land. The proportion of state and local tax revenue coming from agricultural land has increased to the highest amount seen in the past 20 years. This is mostly due to increased valuations as the current use value appraisal formula continues to work highly profitable years through the formula. These elevated valuations are likely to continue for the foreseeable future while the eight year rolling average works through the highly profitable years in agriculture. Unfortunately, these elevated valuations and property taxes have come while many in agriculture are facing significant financial stress.

The added 18.43 increase in the mill levy will increase average property tax mill levies approximately 13.5% from the FY 2016 state tax levy (*Source:* <https://www.ksrevenue.org/pdf/14-16tableivavglevies.pdf>.) Citizens will not approve of this significant increase in their ever increasing property taxes on top of the increases these taxpayers have seen to their income and sales taxes in recent years.

Property taxes must be paid whether the property in question is producing an income for the taxpayer. Farmers, ranchers and other agricultural businesses are extremely sensitive to this reality due to the cyclical nature of the agricultural economy. Generally, taxpayers involved in agricultural enterprises prefer to pay income and sales taxes because those taxes apply when they are making income or have extra funds to spend on non-exempt purchases. Therefore, the agricultural community is generally opposed to increasing the amount of property taxes paid. Additionally, it is troubling to see the state of Kansas consider significant property tax increases while continually putting pressure on property taxes through the use of local option budgets to fund schools. Consequently, Kansas Farm Bureau strongly opposes HB 2740 and encourages the committee to find alternative ways to fund K12 education. The farmers and ranchers of Kansas cannot afford to pay ever increasing property taxes in order to fund governmental functions. The time for deep consideration of other funding options or reduced spending is past due.