



Since 1894

To: House Committee on Taxation
Rep. Steven Johnson, Chair

From: Aaron M. Popelka, V.P. of Legal and Governmental Affairs, Kansas Livestock Association

Re: **HB 2368, AN ACT concerning property taxation; relating to cities and counties; approval of budgets and exception from election for transportation construction projects.**

Date: March 13, 2019

The Kansas Livestock Association (KLA), formed in 1894, is a trade association representing nearly 5,600 members on legislative and regulatory issues. KLA members are involved in many aspects of the livestock industry, including seed stock, cow-calf, and stocker cattle production; cattle feeding; dairy production; swine production; grazing land management; and diversified farming operations.

Thank you, Chairman Johnson and members of the Committee for the opportunity to present KLA's views on HB 2368. KLA opposes HB 2368, which would grant an exemption from the property tax lid for local units of government and allow such governing bodies to fund transportation projects, in excess of the rate of inflation, without first holding an election. KLA Policy Resolution #1 states, in part: "The Kansas Livestock Association supports local government funding through the use of sales and/or income tax rather than property taxes." In addition, the KLA Board of Directors has previously voted to oppose attempts to repeal the property tax lid.

The purpose of the property tax lid was to stem the excessive increases in property tax liability born by many Kansans prior to its enactment. Granting an exemption for transportation projects, which in some counties make up over one-third of the county's budget, would render the lid meaningless and would once again expose farmers and ranchers to unchecked increases in property taxes. Furthermore, roads are often the focus of local discussion and if a new project is really needed that does not fit within the inflation-adjusted budget window, it is likely local citizens would vote to approve such a project.

Agriculture, unlike other businesses, is entirely dependent on its largest asset category, land. Farmers and ranchers are just now receiving their property valuation estimates for 2019 that will inform them of the ninth straight year of valuation increases for agricultural land. From 2010 until 2016, the most recent years for which the Kansas Department of Revenue, Property Valuation Division has publicly published data, agricultural land valuations increased 95 percent. During those same years, property tax liability for agricultural land (rural mill levy multiplied by assessed value) increased approximately 112 percent. These statistics, taken prior

to the property tax lid becoming effective, demonstrate that despite growth in valuations, rural mill levies continued to increase. This makes the case that the property tax lid is necessary and should not be weakened.

Finally, it should be noted that agriculture is in the midst of difficult economic times. In November, the U.S. Department of Agriculture projected inflation-adjusted net farm income would decline fourteen percent from 2017 to 2018 to its lowest point in real dollars since 2002. Higher property taxes only add to this burden. Unlike an income tax, a property tax is levied on an agricultural operation regardless of net income. As Kansas agriculture enters another year of projected declines in net farm income, any property tax increase adds to those losses.

Thank you for the opportunity to submit KLA's views to the Committee. KLA asks the Committee to reject HB 2368 or any other attempt to substantively weaken the property tax lid.