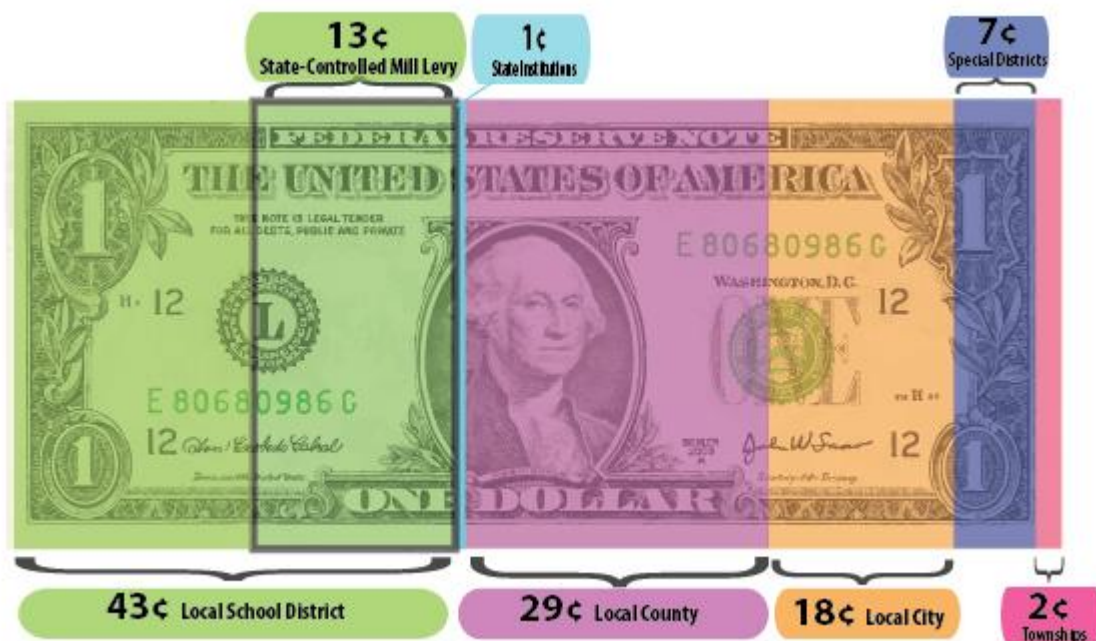


To: House Taxation Committee
From: Trey Cocking, Deputy Director
Date: March 24, 2021
RE: Neutral Testimony on HB 2423

Good Afternoon Chairman and Committee Members thank you for allowing the League of Kansas Municipalities to offer neutral testimony on House Bill 2423.

We want to be very clear that the League of Kansas Municipalities is not opposed to HB 2423. A strong education system is essential for cities across Kansas to flourish.

However, we do want to discuss the overall impact of this bill on property taxes in Kansas. As you can see from the dollar bill representation below, K-12 education accounts for 43% of property taxes levied across Kansas.



We also want to look at the renewal of the property tax under the same light as SB 13's requirements.

If you use the current year's estimate of \$732.7 million as the base for the revenue neutral rate to avoid sending notification and conducting a truth-in-taxation hearing, the 20 mills levied would need to be adjusted downward to 19.475 mills for FY 2022 and 19.015 mills for FY 2023.

| Year | Tax Amount | % increase | Tax Rate | Tax Neutral Amount | Tax Neutral Rate |
|-----------------|-------------|------------|----------|--------------------|------------------|
| Actual FY 2016 | 601,000,000 | 1.61% | 20 | | |
| Actual FY 2017 | 613,881,000 | 2.14% | 20 | | |
| Actual FY 2018 | 641,068,000 | 4.43% | 20 | | |
| Actual FY 2019 | 677,465,000 | 5.68% | 20 | | |
| Actual FY 2020 | 709,436,000 | 4.72% | 20 | | |
| Estimated FY 21 | 732,667,000 | 3.27% | 20 | 732,667,000 | |
| Projected FY 22 | 752,400,000 | 2.69% | 20 | 732,667,000 | 19.475 |
| Projected FY 23 | 770,600,000 | 2.42% | 20 | 732,667,000 | 19.015 |

If you were using a tax neutral rate since FY 2019 the last time the 20-mill levy was renewed, you would be looking at mill levy of 18.008 mills in FY 2022 to produce the same amount of revenue and 17.583 mills in FY 2023.

As Kansas enters a historic moment with transparency, we encourage this Committee to not make modifications to SB 13 to remove schools. This is an important component to ensuring the property owners' entire bill is transparent, not just a select portion of the bill. Just as this body has determined that it is important for citizens to understand the revenue neutral rate for other taxing jurisdictions, it is equally important the Kansas citizen understand how these 20 mills are levied every year and how that compares to the revenue neutral rate they will come to expect of other taxing jurisdictions. This will ensure that all taxing entities are on the same page, and residents and businesses have complete information.