

# State of Kansas

## Senate Chamber

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JEFF KING

SENATOR, FIFTEENTH DISTRICT

MONTGOMERY, ELK, CHAUTAUQUA, WILSON, WOODSON, ALLEN, COFFEY, ANDERSON AND FRANKLIN

Chairman Donovan & Members of the Senate Taxation Committee,

Property taxes are a substantial burden for many hard-working Kansas families and fixed-income seniors. All of us have heard from constituents that struggled to pay the taxes on their family home.

### **Kansas' Property Tax Problem**

This burden has been increased by the Great Recession. Those Kansans who have lost their jobs have no income to tax, but still face ever-increasing property taxes. In some instances, families have left their homes (or Kansas altogether) because the burden of paying these high property taxes was just too great.

In 2010, Kansas' effective property tax rate of owner-occupied housing was 1.35% of median home value – the 15th highest property tax rate the nation. Kansas collected \$1323 per capita in property taxes, compared to \$924 in Missouri and \$582 in Oklahoma. Thus, a Kansas taxpayer pays \$750 more per person on average than if she lived across the border in Oklahoma.

To make matters worse, the poorer your community, the more property taxes you are likely to pay. For example, by almost any measure of household income, Woodson and Elk counties are the two poorest counties in Kansas. They also have two of the highest property tax rates. Elk County property owners pay \$201.69 per every \$1000 of assessed property value, and Woodson county property owners pay \$170.45. That is substantially more than the (already high) state average of \$129.25 per \$1000 of assessed property value. Put another way, on average almost 5% of the annual per capita income of a family in Elk and Woodson counties is used to pay property taxes.

### **Expanding the Homestead Program**

SB445 is a direct and dramatic response to these high property taxes that disproportionately harm hard-working families and fixed-income seniors. SB445 would dramatically increase the property tax relief provided through the Homestead Property Tax Relief program. Currently, the Homestead program provides \$27 million in assistance to Kansas homeowners and \$13 million to Kansas renters.

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Attachment # 1

SB 445 would provide \$43 million in additional Homestead property tax relief, substantially lowering property taxes for working families, fixed-income seniors and disabled Kansans. Specifically, SB 445 raises the eligibility levels for the Homestead program, allowing Kansans making up to \$34,200 to qualify for property-tax relief. SB 445 also increased the maximum Homestead award from \$700 to \$1200.

Put simply, SB 445 would more than double the property-tax relief provided by the Homestead program. Especially in these tough economic times, our hard-working families and fixed-income seniors deserve this relief.

### **Limiting Property Tax Relief to Property Tax Payers**

SB 445 funds this property-tax relief from two sources:

- Limiting the Homestead Property Tax Relief program to those who actually pay property taxes – i.e. homeowners.
- Making the Kansas EITC non-refundable.

SB445 applies the Homestead Property Tax refund only to homeowners. Currently, the Homestead refund also applies to renters who meet qualifying circumstances in three categories: age, disability, or low-income with dependent children. SB445 would make property tax relief unavailable to renters, a demographic that does not, in fact, pay property taxes.

### **Limiting Income Tax Relief to Income Tax Payers**

SB445 would not reduce the tax relief provided by the Kansas EITC. SB445 merely ends its refundable nature.

Nor would SB445 impact the federal EITC, which is over 5 times greater than that provided by Kansas. In 2010, Kansas taxpayers received 212,621 federal EITC payments averaging \$2,114 each. By contrast, the Kansas EITC payments average less than \$400 per month.

The Kansas EITC would remain at the same level as it would under current law. SB 445 would merely make the Kansas EITC non-refundable. Thus, the Kansas EITC would still offset most (and often all) of an eligible taxpayers income tax liability.

### **Increase in TANF Funding**

Finally, you may notice that SB445 shows a positive fiscal note of \$30 million. This figure does not accurately reflect the impact of this bill. Federal law requires “maintenance of effort” of assistance to low-income families to prevent tens of millions of dollars in federal penalties.

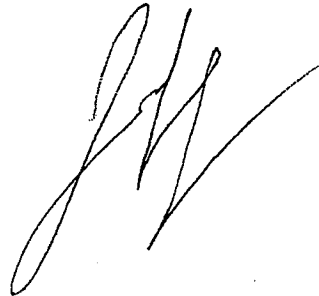
To meet this “maintenance of effort” requirement, passage of SB445 would

mandate \$30 million in additional funding for the Temporary Assistance for Needy Families program. TANF helps the exact low-income families who are eligible for the EITC through: cash assistance (which is graduated to the family's income, the family size, and their cost of living), parenting-advice services, work training, disability assistance, recovery from drug and alcohol problems, and education. Thus, the \$30 million identified in the fiscal note would still be used to help low-income families through increased TANF funding.

**Property Tax Relief Helps Fixed-Income Seniors & Kansas Families**

Members of this committee have been frequently quoted as saying that "Kansas has a property tax problem." I couldn't agree more. Fixed-income seniors and low-income Kansans are especially hard hit by a tax that is becoming increasingly regressive. SB 445 takes a large step towards addressing this problem, helping to ensure that property taxes aren't weighing unreasonably on our least-advantaged Kansas homeowners.

Thank you for your consideration of SB445. I ask for your support to keep Kansans from being taxed out of their homes and out of our great state.

A handwritten signature in black ink, appearing to be 'J. H.', located in the lower right quadrant of the page.