



**House Committee on Taxation  
Opposition to House Bill 2424- Exemption for employee benefits  
Presented by Eric Stafford, Vice President of Government Affairs**

**Tuesday, May 9, 2017**

Mister Chairman and members of the committee, my name is Eric Stafford, Vice President of Government Affairs for the Kansas Chamber. The Kansas Chamber appreciates the opportunity to testify in opposition to House Bill 2424 which is a rather simple bill, but is just another example of local governments burdening the taxpayer with increases in property taxes for “justifiable” reasons- in this case it’s the cost of employee benefits.

With legislation passed in 2015 and 2016 dealing with the public vote requirement for voters to approve increases in property tax revenue beyond inflation, cities and counties have fought to add numerous exemptions to statute allowing for higher tax collections.

Under existing law, the following should not be required to be approved by an election:

- Increase revenues that are attributable to the taxation of:
  - Construction of any new structures or improvements, or remodeling, or renovation;
  - Increased personal property valuation;
  - Real property located within added jurisdictional territory;
  - Real property that has changed in use;
  - Expiration of any abatement of property from property tax;
  - Expiration of economic development tax rebate or redirection program;
- Increases that will be spent on:
  - Bond, temporary notes, state infrastructure loans, etc.;
  - Payment of special assessments;
  - Court judgements or settlements of legal actions against city or county;
  - Federal or state mandates;
  - Expenses relating to federal, state or local disaster or emergency; and
  - Law enforcement, fire protection;

HB 2424 adds yet another new exemption for “increases in employer contributions for social security, workers compensation, unemployment insurance, health-care costs, employee benefit plans and employee retirement and pension programs.” In the private sector, we like to call this the cost of doing business.

Employers, private and public, must provide a competitive benefit structure for their employees in order to attract and retain talent. Private sector employers are faced with providing these same benefits.



*The Kansas Chamber, with headquarters in Topeka, is the leading statewide pro-business advocacy group moving Kansas towards becoming the best state in America to do business. The Chamber represents small, medium and large employers all across Kansas.*

On top of that, they're faced with outrageous and irresponsible increases in their property tax burden, something they cannot simply choose to exempt themselves from. If this committee believes a new exemption for the cost of public employee benefits is good public policy, surely you'll also believe a credit against the business' property tax liability for the cost of providing employee benefits is only fair. Because unlike government, private businesses exist under the assumption of risk. Businesses can't just ask for more sales, there's no guarantee that they'll be here tomorrow. Innovation and technology rapidly change the market.

Property taxes increased by 120% from 1997 to 2014, an average of 7% per year. During that same time period, inflation was slightly over 2% and population grew by roughly half of one percent. Unfortunately, this problem is not behind us. In the last 12 months, commercial retailers and businesses have become a significant target for counties. One of our retail members saw their valuation on their store increase from \$9.2 million to \$21 million in one year, resulting in an increase in their tax liability of more than \$350,000 if their appeal is unsuccessful (this is on top of the \$278,000 they have already paid for that tax year). The legislature unanimously passed a bill last session that dealt with the appraisal process, and focused heavily on fair market value.

This policy really is not very complicated. If there's a legitimate need to increase property tax revenues beyond the rate of inflation, then local units of government can make their case and let the voters decide if an increase is necessary. We respectfully ask that you not support House Bill 2424.