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To: House Taxation Committee
Date: April 3rd, 2019
Subject: Testimony in Support of SB 104; Golden Years Homestead Property Tax Freeze Act

Honorable Chairman Johnson and Members of the House Taxation Committee:

On behalf of the Kansas Association of REALTORS® (KAR), thank you for the opportunity to appear before you today in support of SB 104, specifically the provisions added to SB 104 by the Senate referred to as the “golden years homestead property tax freeze act”

KAR represents nearly 10,000 members involved in both residential and commercial real estate and has advocated on behalf of the state’s property owners for over 95 years. REALTORS® serve an important role in the state’s economy and are dedicated to working with our elected officials to create better communities by supporting economic development, a high quality of life and providing affordable housing opportunities while protecting the rights of private property owners.

REALTORS® believe that the private ownership of real property is the foundation of our nation’s free enterprise system. Homeownership is the cornerstone of the American Dream and deserves a preferred place in our system of values as homeownership contributes to community responsibility; business, civic, and economic stability; family security; and our Kansas quality of life.

KAR does have a continued concern regarding Kansas homeowners’ property tax burden. While we realize the importance of many programs funded through property tax revenue, government leaders need to consider the impact that property taxes have on Kansans’ ability to continue to afford and remain within their own home. It is an absolute tragedy that someone would be forced to sell their home because they cannot keep up with rising property taxes.

Senate Bill 104 as amended by the Senate Committee of the Whole

SB 104 endeavors to mitigate the impact of rising property taxes by enacting the “golden years homestead property tax freeze act” which operates as a “circuit breaker” form of tax relief. As the committee is aware, a “circuit breaker” is a form of property tax relief in which the benefit is dependent on income or other criteria and the amount of property taxes paid. The moniker developed as analogy to the device that breaks an electrical circuit during an overload. The property tax relief benefit of SB 104 begins to accrue once a person’s property taxes have become overloaded relative to his or her income.

Sections 7 through 23 of SB 104 would provide relief from rising property taxes to lower-income senior citizens (65 and older) and disabled veterans. The property tax relief provisions of SB 104 are means-tested in that it is only available to claimants with household income of \$50,000 or less and the appraised value of the homestead is \$350,00 or less.

The benefit to this approach of property tax relief is that it is targeted to those most impacted by property tax increases. The taxpayers considered within SB 104 are likely to be living on fixed incomes and, as such, may find it very difficult to keep up with the pace of property tax increases and remain in their homes. In other words, a circuit breaker can take the regressiveness out of property tax increases on certain citizens.

Additionally, circuit-breaker forms of property tax relief avoid legal challenges that other property tax reform efforts can run into under the uniform and equal basis of valuation and rate of taxation contained in the Kansas Constitution. Ks. Const. art. XI, § 1. This is achieved because the valuation and assessment of the claimants' property are not altered. Rather, claimants pay their property taxes as they normally would, but then get a portion of those property taxes refunded by the State.

Conclusion

Everyone should have the opportunity to own, hold, and pass property to their heirs whether it is a home, a farm, or a business. The long-term social, economic, family, and civic benefits of private property ownership, especially homeownership, are numerous. Furthermore, homeownership rivals any other vehicle of generational wealth creation for citizens regardless of starting means. It is with this knowledge that KAR has a growing concern with the constantly increasing cost of property taxes on households and the erosion these taxes have on affordability of housing.

Provisions of SB 104 seek to mitigate the impact of annual property tax increases for a targeted group of homeowners. KAR encourages policies that expand the ability and capacity of Kansas citizens to own, maintain and remain in their homes. SB 104 is consistent with this policy and KAR encourages the committee to act favorably on the legislation.

Thank you for your time and consideration of our testimony.

Respectfully submitted,

A handwritten signature in black ink that reads "Patrick Vogelsberg". The signature is written in a cursive, flowing style.

Patrick Vogelsberg
Vice President of Governmental Affairs
Kansas Association of REALTORS®