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January 16, 2025

To: Senate Committee on Assessment and Taxation
From: Randy Stookey, General Counsel & Senior Vice President of Government Affairs
RE: **Proponent Testimony on Senate Concurrent Resolution 1603, proposing constitutional amendment to cap real property valuation growth at 3% annually.**

Chair Tyson and members of the committee, thank you for the opportunity to provide testimony in support of Senate Concurrent Resolution 1603. This testimony is submitted on behalf of the Renew Kansas Biofuels Association, the trade association of the biofuels industry in Kansas.

Kansas' biofuels industry contributes greatly to rural Kansas, and our economy. Our industry employs Kansans across the state and pays millions of dollars annually in property taxes that help fund schools and local government. In recent years, however, that property tax burden has grown considerably.

To address this situation, the proposed measure would place a question on a statewide election ballot asking Kansans whether to amend our state constitution by placing, with certain exceptions, a 3% annual valuation growth cap on all subclasses of real property for ad valorem tax purposes on and after January 1, 2026. This type of growth cap for tax purposes is not a unique proposal and, in fact, has been adopted by a number of states, including Oklahoma.

As we understand it, the proposal may not necessarily lower property taxes, but it would increase transparency and accountability in the property tax process by requiring local units of government to raise their mill levy in order to increase tax revenues beyond that 3% valuation increase. Currently, local taxing authorities are able to utilize inflated property values to increase tax revenues and then tell the public that they did not raise taxes because they did not increase the mill levy.

More important for our industry, however, the measure would protect taxpayers against large, annual, increases in property valuation. The cap would be especially helpful in those instances where an ethanol facility has successfully challenged a high valuation – often incurring high legal fees in the process - only for the appraiser to potentially inflate the valuation again the following year. This situation occurs routinely in industries, such as ours, with complex properties that can be difficult to accurately appraise.

We are aware of a criticism that this measure would cause a shift in tax burden between the various subclasses of real property – namely, from residential property and on to agricultural, commercial, and industrial properties. We are sensitive to that criticism and would request additional analysis from KDOR's Property Valuation Division. Any such shift would only be realized in those years when residential property values would have otherwise increased greater than 3% and would necessarily vary from county to county.

Thank you for the opportunity to testify. For the reasons stated, we would stand in support of this bill.