

Property Tax and the need for Truth in Taxation

Dave Trabert, Kansas Policy Institute

1

Productivity lag, economic stagnation connected to 1986 property tax change

- Dr. Art Hall, *A History of Tax Policy in Kansas*, 2006
- “The Kansas economy suffers from an odd anomaly that has direct consequences for the economic well-being of Kansans. For reasons that have no ready explanation, the Kansas economy lags both the nation and the region in terms of per-worker productivity and the growth rate of per-worker productivity. This anomaly began about 20 years ago and has had direct implications for the growth of per-worker compensation.”



2

Productivity lag, economic stagnation connected to 1986 property tax change

- “Productivity is defined as inflation-adjusted GSP divided by the total number of full and part-time workers in the economy—a dollar value of output per worker.”
- “Productivity differences account for about half of the economic growth difference between Kansas and the U.S. (The other half relates to Kansas’ slower employment growth.) Productivity differences account for virtually 100 percent of the growth difference between Kansas and the Plains region.”



3

Productivity lag, economic stagnation connected to 1986 property tax change

- “Over the past quarter century, as economic theory predicts, there is a near perfect statistical correlation in Kansas between productivity growth and per-worker compensation (wages plus employer-paid benefits and taxes).”
- Dr. Hall attributes the productivity lag that began in 1986 to a property tax issue, saying, *“It’s hard to prove but I believe it’s because of the 1986 state constitutional amendment dealing with property tax.”*
- P. 21-26, *What was **Really** the Matter with the Kansas Tax Plan*



4

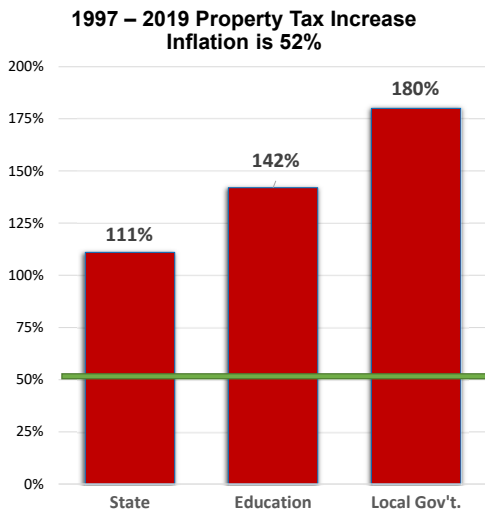
Kansas has some of the highest property tax rates in the nation...

| 2019 Property Tax Effective Tax Rate (ETR) Rankings | | | | |
|---|--------------------|-----------|--------------------|---------------------------------|
| Classification | Largest Rural Area | Tax Owed | Effective Tax Rate | ETR National Rank (1 = highest) |
| Rural Commercial property | Iola, KS | \$ 52,830 | 4.403% | #1 |
| Rural Commercial property | Savannah, TN | \$ 12,380 | 1.032% | #43 |
| Rural Commercial property | Richfield, UT | \$ 16,177 | 1.348% | #30 |
| Rural Homestead \$150,000 | Iola, KS | \$ 2,928 | 1.972% | #14 |
| Rural Homestead \$150,000 | Savannah, TN | \$ 1,009 | 0.673% | #42 |
| Rural Homestead \$150,000 | Richfield, UT | \$ 1,048 | 0.699% | #40 |
| Classification | Largest Urban Area | Tax Owed | Effective Tax Rate | ETR National Rank (1 = highest) |
| Urban Commercial property | Wichita, KS | \$ 32,497 | 2.708% | #11 |
| Urban Commercial property | Nashville, TN | \$ 14,513 | 1.209% | #43 |
| Urban Commercial property | Salt Lake City, UT | \$ 15,440 | 1.287% | #40 |
| Urban Homestead \$150,000 | Wichita, KS | \$ 1,776 | 1.184% | #27 |
| Urban Homestead \$150,000 | Nashville, TN | \$ 1,183 | 0.789% | #41 |
| Urban Homestead \$150,000 | Salt Lake City, UT | \$ 1,097 | 0.731% | #45 |

Source: Lincoln Institute of Land Policy



5



Source: Kansas Dept. of Revenue, Bureau of Labor Statistics

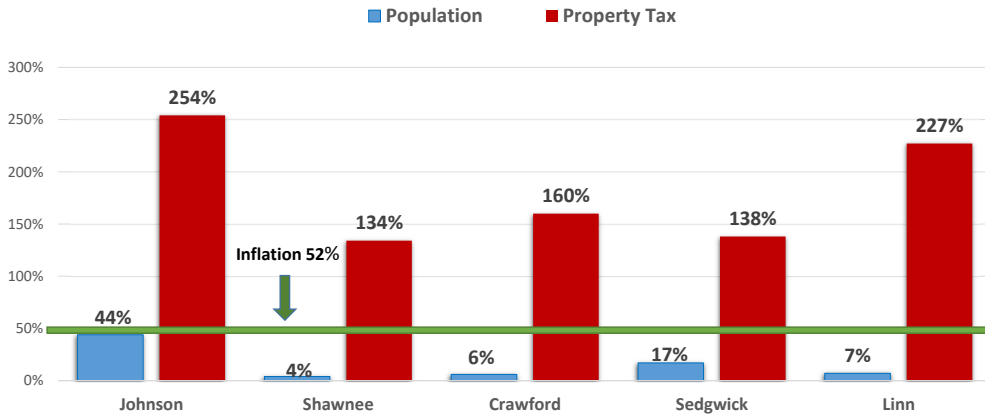
- Property tax for state operations = 1%
\$57 million
- Education, including community colleges = 44%
\$2.3 billion
- Local Gov't. = 55%
\$2.8 billion



6

Property Tax and Truth in Taxation

1997 – 2019 Property tax increase for local gov't. operations
(cities, county, townships, fire districts, etc. all combined)



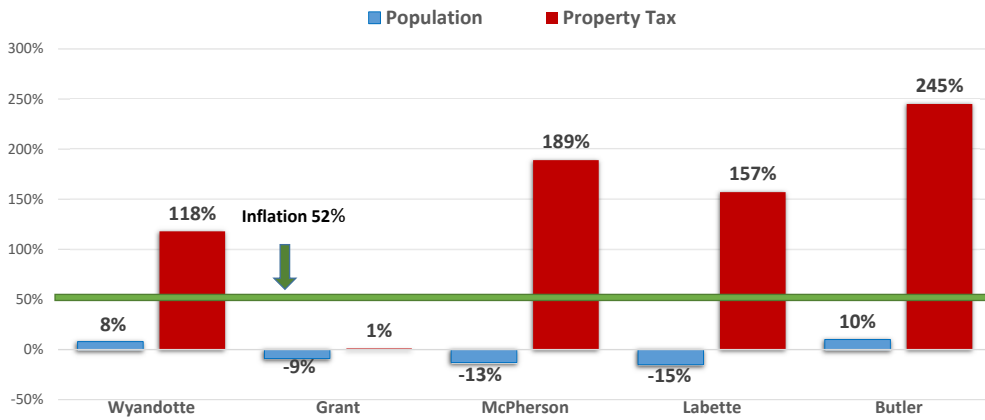
Source: Kansas Dept. of Revenue, US Census, Bureau of Labor Statistics



7

Property Tax and Truth in Taxation

1997 – 2019 Property tax increase for local gov't. operations
(cities, county, townships, fire districts, etc. all combined)

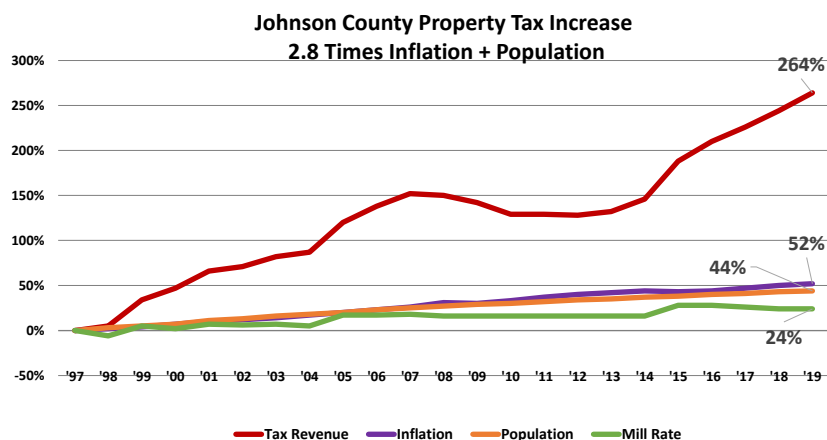


Source: Kansas Dept. of Revenue, US Census, Bureau of Labor Statistics



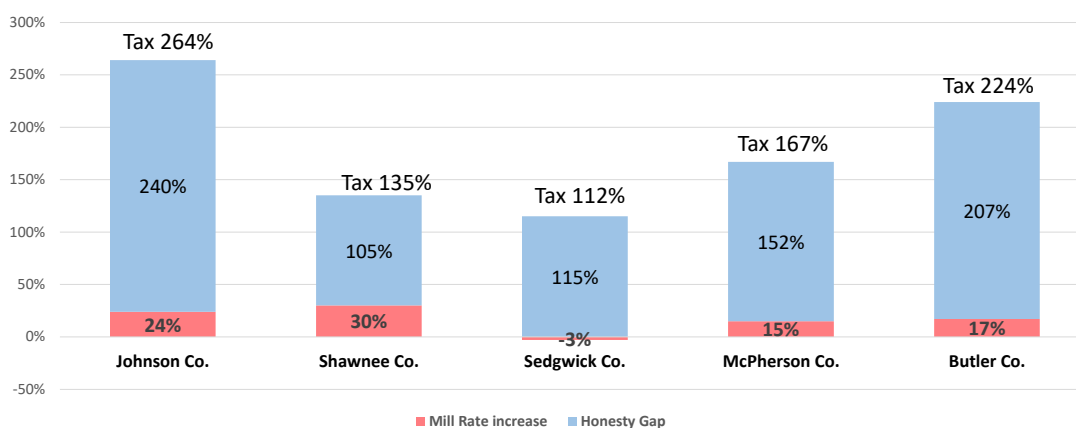
8

County-only trend through 2019



9

Tax Increase minus Mill Rate = Honesty Gap



10

SB 294 / HB 2702 Closed the Honesty Gap

- Mill rate automatically reduced so new valuations produce same tax revenue as prior year. (revenue-neutral rate)
- Public notice of hearing on proposed increase in R-N rate.
- Elected officials' vote to increase the R-N rate means they've voted on the entire property tax increase.
- 75% of voters support; only 11% oppose. Passed Senate 35-2, passed House 89-28, but local officials opposed, so Kelly vetoed.



11

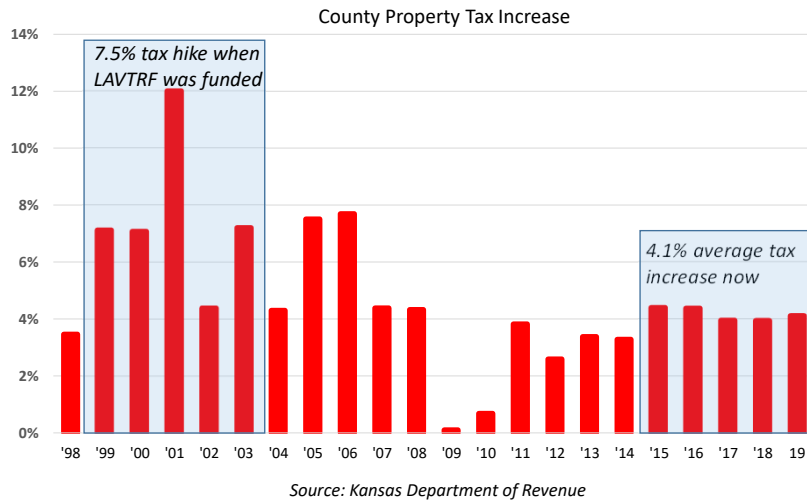
SB 294 / HB 2702 Closed the Honesty Gap

- Based on Utah's Truth in Taxation law.
- Utah effective tax rate declined 7.5% (2000-18)
- Kansas effective tax rate increased by 22% (2000-18)
- Cities and counties oppose SB 294 because:
 - Don't want to vote on the entire tax increase.
 - *They know what needs to be done and they don't trust you.*



12

Gov. Kelly's LAVTR plan doesn't work (local ad valorem tax relief)



13

Spending varies wildly among similarly-sized counties in Kansas...opportunities to save.

| 2018 Per-Resident Spending for County Government | | | | |
|--|------------------|---------|---------|---------|
| Counties | Population | Minimum | Median | Maximum |
| 24 | Less than 3,000 | \$1,839 | \$2,766 | \$5,749 |
| 22 | 3,000 to 6,000 | \$1,401 | \$1,953 | \$3,617 |
| 21 | 6,000 to 10,000 | \$950 | \$1,403 | \$3,039 |
| 19 | 10,000 to 30,000 | \$589 | \$1,076 | \$1,396 |
| 14 | 30,000 to 100k | \$504 | \$739 | \$1,134 |
| 5 | Over 100,000 | \$540 | \$765 | \$1,363 |

Source: Kansas Dept. of Administration, U.S. Census Bureau



14

Other property tax reforms

- SB 262 – clarifies timing to request a full BOTA opinion to 21 days from date mailed; passed 40-0.
- SB 263 – requires a current year tax estimate on annual valuation notices; died in committee.
- SB 264 – removes someone from appraiser eligibility due to termination by county; passed 40-0.



15

Other property tax reforms

- SB 265 – requires BOTA to serve notices electronically if requested; passed 40-0.
- SB 266 – requires appraisal courses to be approved by Real Estate Appraisal Board; passed 29-16.
- SB 295 – prohibits valuation increase solely for normal repair, replacement or maintenance; passed 38-1.



16

Other property tax reforms

- SB 297 – requires compliance with Uniform Standards of Professional Appraisal Practice (not ‘dark store’ county theory); passed 40-0.
- SB 309 – places burden of proof on county appraisers when new trial requested in district court; passed 36-3.
- Note: only Senate votes listed because House Tax held bills for 30 days, then session ended early.



17

Local property tax hikes continue in 2020

- Over 4% average property tax increase budgeting among the 25 largest counties and 25 largest cities.

| 2020 Tax Hike Budgeted | |
|------------------------|----------|
| City / County | % Change |
| Lenexa | 8.3% |
| McPherson | 4.2% |
| Olathe | 5.1% |
| Overland Park | 9.3% |
| Parsons | 2.8% |
| Pittsburg | 5.4% |
| Topeka | 3.0% |
| Wichita | 5.4% |
| Johnson Co. | 5.3% |
| Wyandotte Co. | 4.7% |
| Grant Co. | 1.6% |
| Butler Co. | 2.6% |



18

Contact Info

BeeHonestKansas.com

KansasPolicy.org

SentinelKS.org

KansasOpenGov.org

KansasJustice.org

Dave.Trabert@KansasPolicy.org

W (913) 213-5038

