

To: House Taxation

From: Trey Cocking, Deputy Director

Date: February 12, 2018

RE: Neutral Testimony on House Bill 2584

Mr. Chairman and Committee, thank you for the opportunity to present neutral testimony on HB 2584. HB 2584 would escrow property tax dollars from pending appeals on property classified in subclass 1 of section 1 of article 11 of the Kansas constitution. This property includes residential property, land devoted to agricultural use which is valued upon the basis of its agricultural productivity pursuant to section 12 of article 11 of the constitution, vacant lots, and all other urban and rural real property not otherwise specifically subclassified.

We understand the concern addressed by this bill; however, we have concerns about how this bill would operate in practice. This bill would place the portion of the taxes in dispute in escrow without any notification to the city. It is also unclear in the bill how the “amount in dispute” will be defined. Currently, cities are completely left out of the process and they only find out about a valuation issue when they are required to return funds to the county. This bill would not change this fact. It would be extremely beneficial for cities if this bill included a requirement that counties provide notification to cities and other taxing jurisdictions about pending tax appeals.

Before passing this bill, the League would request that the city portion of the taxes under dispute not be held in escrow since cities are not involved in the appraisal of real property. The legislation under consideration would affect both city and county funds which may eventually be refunded to the taxpayer. In absence of a removal from this bill, the League asks the “amount in dispute” be clearly defined. For example, the amount in dispute could be limited to the difference between the previous year’s taxed amount and the current year’s assessed valuation. Finally, if this bill moves forward, we would ask the bill be amended to provide notice to cities of the amount being withheld and for what properties. In addition, we would ask for quarterly reports on the status of the appeals, and additional language clearly defining how funds are distributed once the appeals process is completed.