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To: Senate Assessment and Taxation Committee
Date: March 12, 2019
Subject: Testimony in Support of SB 151.

Honorable Chairwoman Tyson and members of the Senate Assessment and 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 151.

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.

SB 151 brings up two significant issues for KAR regarding school finance and property taxes used to provide revenue to public schools. The 2019 KAR Legislative Policy Statement provides:

As REALTORS®, we realize the importance of quality public schools to the local real estate market. The quality of education in our schools has proven to be a driving force in the growth or demise of our residential and business communities. It is these communities, not merely the homes within them, which are bought and sold. As such, REALTORS® support responsible funding for public schools.

KAR members are involved in recruiting new residents to our local communities on a daily basis and realize the importance of quality public schools in building a high quality of life for Kansas residents. We also believe in the importance of a low tax burden on Kansas businesses and families that will help keep our state competitive in the search for new economic development and job growth opportunities.

Again the 2019 KAR Legislative Policy Statement provides:

REALTORS® believe that real estate is burdened with an excessive share of the constantly increasing cost of state and local government. While we realize the importance of many programs funded through property tax revenues, we believe tax revenues should be equitably collected from a variety of sources and encourage taxing jurisdictions to consider the negative impact to the housing market associated with any potential increase in property tax rates.

SB 151 extends the historical state-mandated mill levy of 20 mills through 2020. Notable though, this legislation would double the exemption of assessed valuation on residential property. K.S.A 79-201x provides property tax relief for Kansas homeowners and to that end, KAR has traditionally supported this exemption. SB 151 would provide additional property tax relief to homeowners by exempting \$40,000 of appraised valuation from their home for the purposes of the 20 mill state-mandated school levy. Current law is a \$20,000 exemption.

Current law

$\$20,000 \times 11.5\%$ (residential assessment rate) $\times .020$ (school mandated mill levy 20 mills) = \$46.00

Proposed under SB 151

$\$40,000 \times 11.5\%$ (residential assessment rate) $\times .020$ (school mandated mill levy 20 mills) = \$92.00

As you can see, SB 151 would provide homeowners with \$46.00 in additional property tax relief.

In the past, KAR opposed efforts to repeal the \$20,000 exemption. Repeal of this exemption was seen as a quick way to add more money to public schools through property taxes. The \$20,000 exemption was first put into effect in 1997 to reduce the local property tax burden on households, arguably shifting the responsibility back to the state, which has more options for revenue from which to fund schools. KAR has argued in the past that the \$20,000 exemption has not remained meaningful because, without being increased, the exemption failed to keep pace with inflation or home values.

For example, adjusted for inflation, \$46.00 in 1997 would be worth \$72.14 in 2019.¹ Looking at the exemption itself, if adjusted for inflation, \$20,000 in 1997 would currently be worth roughly \$31,365.98 in 2019.² Another way to look at the value of this exemption over time is through home price appreciation in Kansas. According to the Federal Housing Finance Agency, a Kansas house valued at \$100,000 in 1997 is worth \$196,185 at the end of 2018.³

If not adjusted, the K.S.A. 79-201x exemption loses its intended level of property tax relief. Being more than 20 years since enacted, it is appropriate at this time for the Legislature to consider increasing the \$20,000 exemption.

In conclusion, KAR supports SB 151's effort to increase the K.S.A. 79-201x exemption. Thank you for your time and consideration of our testimony.

Respectfully submitted,



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¹ Bureau of Labor Statistics, *Consumer Price Index Inflation Calculator*. <https://data.bls.gov/cgi-bin/cpicalc.pl?cost1=46&year1=199707&year2=201901>, accessed on March 11, 2019.

² *Id.* at <https://data.bls.gov/cgi-bin/cpicalc.pl?cost1=20000&year1=199707&year2=201901>

³ Federal Housing Finance Authority, *House Price Index*. <https://www.fhfa.gov/DataTools/Tools/pages/hpi-calculator.aspx>, accessed on March 11, 2019.