

Proposition K

A losing proposition for Kansas taxpayers

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Budget and Tax Policy in Perspective

Proposition K, which seeks to alter the state's property tax system, is a losing proposition for Kansas taxpayers. This proposal stands to shift the property tax burden, erode the property tax base of local communities, and circumvent the Kansas Constitution.

What is Proposition K?

Proposition K is a proposal to deviate from the use of fair market value and instead use a rigid formula for the determination of Kansas property tax values. Under this proposal, all property values - with the exception of agricultural property - would automatically increase by 2% each year. Additionally, baseline property values in Kansas would be set in January 2010 and would never be reset.

Proposition K would shift the tax burden onto rural communities

Proposition K establishes an unequal property tax system for Kansas homeowners. Even the chief architect of Proposition K admits that, under this plan, an unfair tax burden will "manifest in the longer-run."

Proposition K would shift the property tax burden from homeowners whose property is increasing in value to homeowners whose property is stagnant or decreasing in value. This would include not only senior citizens on fixed incomes, young families in starter homes, and the poor, but it would also shift the tax burden from those living in urban areas to those living in rural areas.

Like the rest of the country, Kansas has seen significant decreases in property values in recent years. But even before property values began dropping in urban areas across the country, some parts of Kansas were already experiencing a decrease in property values. In fact, 43 Kansas counties saw a net reduction in total property values, excluding agricultural use properties, between 2006 and 2007. The map [see reverse] illustrates the Kansas counties with an overall

decrease in property value.

Under Proposition K, property values would automatically increase by 2% each year regardless of changes in the actual value of the property. In the current economic crisis, property values have been especially hard-hit. According to HousingPredictor.com, a real estate market forecasting resource, residential property values are predicted to

Non-uniform and equal valuations under Proposition K

PROPERTY INCREASING IN VALUE. Property Owner 1 has a \$100,000 home in a popular neighborhood that is increasing in value at a rate of 10% each year. Under Proposition K the value of this home is artificially suppressed at a growth of 2% each year. After the first year, the actual value of the home is \$110,000 while it is valued for property tax purposes at \$102,000. After 10 years, the actual value of the home is \$259,000 while it is valued at \$122,000 for property tax purposes.

PROPERTY DECREASING IN VALUE. Property Owner 2 has a \$50,000 home in an aging area that is decreasing in value at a rate of 1% each year. Under Proposition K the value of this home is artificially inflated at a growth rate of 2% each year in spite of losing actual value. After the first year, the actual value of the home is \$49,500 while it is valued for property tax purposes at \$51,000. After 10 years, the actual value of the home is \$45,219 while it is valued for property tax purposes at \$60,950.

fall significantly in cities across Kansas. This includes a predicted decrease in Kansas City area homes of 13.6%, and corresponding decreases in Topeka (11.9%), Wichita (10.2%) and Lawrence (5.7%). Proposition K would result in a 2% jump in values for property tax purposes despite the state of the current economy.

Proposition K would erode the Kansas tax base

Proposition K is modeled after California's Proposition 13, which set property values at their 1975-1976 rate and then allowed values to increase with inflation up to 2% per year. However, Proposition K goes one step farther than California's plan by not providing for a reset provision, which would allow for property values to be reset at the market value when the property changes ownership. Over

